

The Influence of Transformational Leadership Style on Organizational Success: A Study on MNCs in Bangkok, Thailand

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Abstract—Transformational leadership entails individualized consideration, recognition and motivation among other aspects. There is no doubt that transformational leadership contributes to organizational success more than transactional leadership does. Following its effectiveness, multinational corporations (MNCs) in Bangkok use transformational leaders to attain competitive advantage in the context of rising global competitiveness. Through a rigorous process of data collection and hypothesis testing, this research proves beyond reasonable doubt that transformational leaders lead to organizational success for MNCs in Bangkok.

Keywords—Transformational leadership, Organizational success, Multi national company

I. INTRODUCTION

There is no doubt that leadership plays a key role in organizational success. However, the type of leadership that yields optimal organizational success has been a bone of contention over time and across space. Numerous studies in the field of leadership have shown that approaches in the study of leadership have progressively evolved thereby leading to proposition of different leadership styles [7]. In a general sense, leadership could be either transformational or transactional. While transactional leadership focuses on the processes of achieving the goals of a business organization, transformational leadership focuses more on the motivation of employees. According to Griffin [2], transactional leadership style seeks to push employees to achieve their goals in the strictest way possible while transformational leadership style seeks to maintain the relationships between the employees and the management of the business organization as well as relationships between employees and their colleagues. It could be said that transformational leadership yields more success than transactional leadership.

Multinational corporations (MNCs) are businesses that operate in many countries of the world. These companies are known to use a great deal of globalization concepts in which globalization is seen as the spread of a uniform and standard aspect in all the countries where the multinational corporation is found. One of these aspects that are spread in a uniform way for a multinational company is leadership style. A core belief is that multinational corporations will only be successful to the extent which they apply different aspects of transformational leadership style. However, debate exists on whether or not all aspects of transformational leadership constructively interact with organizational strategic aspects to produce success for multinationals [1]; [13]. This study seeks

to investigate the actual aspects of multinational corporations that actually realize success with regard to transformational leadership. To do so, the research uses nine factors in confirming the non-effectiveness of earlier models and proposing an alternative leadership model for multinational corporations in Bangkok, Thailand. It begins by reviewing the existent literature on transformational leadership in Bangkok, the methodology of the study and finally the discussion of the results.

II. LITERATURE REVIEW

According to Simic [14], transformational leadership is a key ingredient in the attainment of success for multinational companies. In his article, the author outlines several characteristics of transformational leadership such as individualized consideration, inspirational motivation, intellectual stimulation, team orientation, creativity, appreciating others and recognition. In an effort to echo the previous sentiments, Gumusluoglu and Ilsev [4] state that transformational leadership leads to organizational-level success for both global and local organizations. In addition, Riaz, Akram and Ijaz [12] write that transformational leadership leads to improved employee commitment for multinational corporations in the financial sector. To crown it all, Moriano et al. [9] write that transformational leadership is a key prerequisite to what they call ‘intrapreneurship’ or internal strengths for the multinational for improved competitive advantage.

Bangkok is a home to many multinational companies in different industries. According to Gugler [3], Bangkok is the main international governance center for the Asian region because it hosts organizations such as the United Nations Economic and Social Commission for Asia and the Pacific among other organizations. Following its generally good investment environment, in view of Inoguchi [5], Japanese companies and other multinationals began to occupy Bangkok in the early 1970s and have continued to increase rapidly. Today, according to Mobile Reference [8], “a large number of multinational corporations base their regional headquarters in Bangkok due to lower costs of workforce and firm operations relative to other major Asian business centers” (Economy and demographics).

The multinationals in the field of direct selling industry in Thailand embrace different types of leadership styles. Sribenjachot [15] compared both transformational and transactional leadership styles for MNCs based in Bangkok and found out that transformational leaders were able to

motivate their followers or distributors more effectively than the others. It has also been established that transformational leadership leads to change of retrogressive attitudes among employees working with multinational corporations in Bangkok, Thailand [10]. Further, Pimapunsri [11] found out that multinational hotel managers who made use of transformational leadership in Bangkok helped their employees to learn the organizational cultures for better competitive advantage.

2.1 Transformational Leadership

The four aspects of Transformational leadership are Nevertheless, it is extra ordinary that common understandings of transformational leadership styles are covered with the popularity of the four measurements, namely Idealized Influence (II), Inspirational Motivation (IM), Intellectual Stimulation (IS) and Individualized Consideration (IC), set out by Bass. These aspects have been verified by test performed in the area [16]. In 1985, Bernard Striper created the Multifactor Leadership questionnaire (MLQ), a device designed to evaluate transformational leadership. Over the last two decades, and following program in ratings of research including army, instructional, and professional companies [19], the MLQ has surfaced as the main means of quantitatively determine life changing authority [18]. A result of this perform is the solitude of four aspects now recognized as being demonstrated by effective life changing management. The additive effect of these four factors is performance beyond expectations in the organization.

Idealized Influence (II): Idealized Influence is about developing assurance and believes in and offering a part style that supporters try to replicate [17]. Charismatic leadership is a feature of transformational leadership and will depend on leaders as well as supporters for its concept [16]. The connection between charismatic and transformational leadership is best during periods of turmoil within a company such as when Lee Iacocca took over and raised from the dead the suffering Chrysler Organization in the Seventies and 1980s.

Inspirational Motivation (IM): Inspirational Motivation has a relation to idealized influence, but whereas personality is presented to promote individuals, inspirational authority is about motivating the entire company to, for instance, follows a new idea. Transformational management describe an eye-catching view of the long run, offer supporters the opportunity to see significance in their work, and obstacle them with high expectations. They promote supporters to become part of the overall business lifestyle and atmosphere [16]. This might be obtained through inspirational messages and interactions and other public shows of positive outlook and passion, featuring positive results, and revitalizing working together [20].

Intellectual Simulation (IS): Intellectual Simulation involves stimulating and changing followers' attention of issues and their capacity to fix those issues [16], [17].

Transformational management question logic and philosophy and motivate supporters to be modern and creative, nearing old issues in new ways. They inspire supporters by convincing them to suggest new and debatable



Figure 1. Transformational Leadership Factors.

thoughts without fear of penalties or make fun of. They motivate their own thoughts sensibly and certainly not at any cost [20].

Individualized Consideration (IC): Individualized Consideration includes addressing the particular, exclusive needs of supporters to ensure they are provided in the modification process of the company [20]. People are handled independently and diversely on the foundation their abilities and understanding [19] and with a goal of enabling them to arrive at greater levels of quality results than might otherwise have been obtained [11]. This might take a concept, for example, through showing terms of thanks or reward, reasonable amount of work withdrawals, and individualized profession therapy, guidance and expert progression actions [20].

2.2 Variables of Organizational Success

Transformational leadership uses a number of variables to achieve the desired results towards organizational success. These variables include organizational vision, goal settings, team work, organizational commitment, empowerment, communication, innovation, motivation and task performance. However, the most influential variables are innovation, team work, Motivation Performance, communication, goal settings, organizational vision, empowerment and organizational commitment.

Task Performance (Task): Transformational leadership can influence employee task performance through

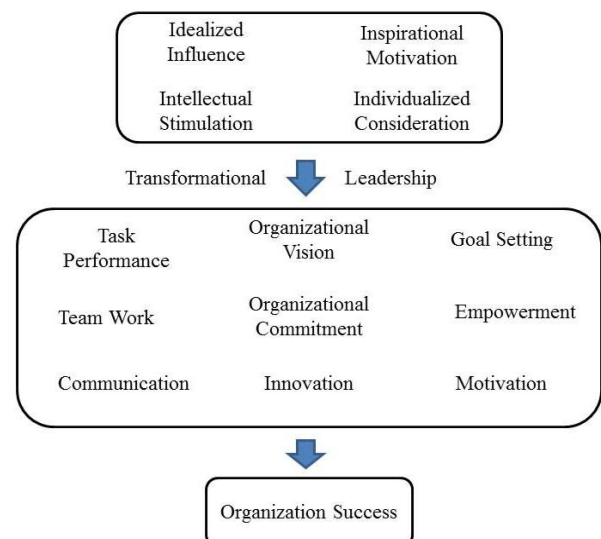


Figure 2. Resultant conceptual framework.

means other than employees' positive moods. For example, Shamir, House, and Arthur [21] identified two transformational leadership motivational processes that link leadership and employee task performance using the self-concept based theory. First of all, the transformational leader provides vision, expresses high expectations and shows confidence to increase employees' self-efficacy. Secondly, employees who have pride in belonging to their leader facilitate social identification with their group. A high level of self-efficiency and group identification on the part of the employee would in turn enhance employee task performance [22].

Organizational Vision (OrgV): Organizational vision shows ability of transformational management to take the possibility upon them for the achievements of the change. When they experience the modification, managers can act in two methods. They can "keep themselves aside", to look at and, gradually, criticized the transformation. The feature of responsibility is one more in the row of the attributes, which allows such professionals to change into transformational leaders [15].

Goal Settings (Goal): Goal settings symbolize a prominent feature of transformational management, which reflects their capability to influence people in the process of modifying to show, immediate and appropriate them. Without goals, satisfaction of transformational goals breaks upon temporary chances only, and not on the style founded in progress.

Team Work (TeamW): Group alignment of transformational management shows their attention of the importance of working together and ability to slender on the help of others, otherwise known as teamwork. Complexness of the process of business modification details out, in itself, that a transformational leader cannot separately carry the whole procedure of modification to an end. Because of that, transformational management strategy the design of groups within which, together with the other associates, create appropriate options and fix issues they come across. In that feeling, one should increase performance to a stage which covers finish equal rights, without being frightened that they will experience "the revenge" because of their activities from their leaders [5].

Organizational Commitment (OrgC): Organizational Commitment has an excellent effect on the successful performance of an enterprise. This is because a highly committed employee will recognize with the objectives and principles of the company, has a more powerful wish to fit in with the company and is willing to display higher business citizenship habits i.e., a willingness to go over and beyond their necessary job responsibilities. If human options are said to be an organization's biggest resources, then dedicated time should be considered as an organization's competitive benefits [15].

Empowerment (Empo): Empowerment, as a feature of transformational authority, allows management to identify situations, in which supporters should be recognized, i.e. provide them with recognition. Giving recognition by saying thank you for a well done job, does not price anything, and represents a powerful pleasure for the supporters to provide further assistance in initiatives to perform the modify. An effective change does not occur accidentally. It includes implicitly certain initiatives of both, management and

supporters. If the attempt created by followers remains unobserved, it can occur that such attempt will be losing. In that feeling, transformational management rewards every well-done measure of their supporters.

Communication (Comm): A transformational leader communicates to the employees the expectations he has set for them and always outlines the larger goals and motivates them to change their thinking as it is not in their nature so far to be able to engage in creative thinking and this is a challenge sometimes beyond them. An employees' body language usually reflects their mind which is happy or not and the satisfaction they have gained is obvious to see on their faces, which will reflect happiness and a job well done [23]. In order to convey all ideas and leading the values to their subordinates, in the normal course of a day a leader uses a set of clichés, body language, idioms and they are well understood by the members [24]. Therefore, leaders' skill in expressing together with revealing their feelings that represents the most crucial characteristic of the transformational leader [25].

Innovation (Inno): Innovation as a feature of transformational management contains not only undertaking creative activities by leaders, but, also, visibility to innovative corporations of their supporters. Some activities of transformational management illustrate their creativity in the procedure of modification [18]. However, of the same significance for the success of transformational modify is participating management in linking of following consideration and using the suggestions of their supporters. By admiring the innovative initiatives of the workforce, a powerful inspirational time frame from their active involvement in the procedure of modify is covered.

Motivation (Motiv): For an organization to be effective, it needs to see innovation take place and whatever the idea which has been conceived by the leader has to be reaching the members or employees as needs to be converted to action, for a transformational leader alone is capable of motivating a normal employee to galvanize to perform for the sake of the organization, their unstinted commitment which stems from a burning desire to work makes the goals look nearer and achievable [26].

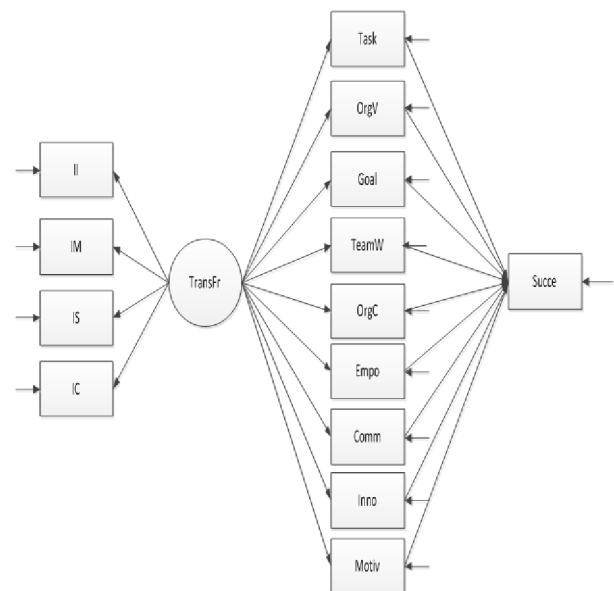


Figure 3. Conceptual Framework in AMOS Graphic.

III. METHODOLOGY

The analysis of this research is based on primary data and secondary data. This research collected data from multinational companies in Bangkok, namely CPs group, Japanese companies, US companies. Total 400 respondents were interviewed through online. Secondary data were collected from various sources, particularly online databases, digital libraries, books, journals, conference papers, etc. Extensive research papers of academicians and practitioners regarding transformational leadership are evolved from renowned international journals, namely PROQUEST, EMERALD, EBSCO, IEEE, ACM, JSTOR, Science Direct, etc. To guide the research process, a total of 18 hypotheses were put forward. From the hypotheses, Structural Equation Modeling (SEM) would be utilized in order to answer the research questions. The increasing interest SEM techniques and recognition of their importance in empirical research, SEM techniques, such as AMOS (Analysis of Moment Structure) was used to test the extent to which the research meets recognized standards for high quality statistical analysis. The researcher was measured using 5 point Likert scales where 1 represents “strongly disagree” and 5, “strongly agree”.

IV. DATA ANALYSIS

Based on the conceptual model, the researcher constructed eighteen hypotheses that would be verified through the survey.

H₁: Transformational leaders’ have influence on Organizational Vision.

H₂: Organizational Vision has influence upon organizational success.

H₃: Transformational leaders’ have influence on Goal Settings.

H₄: Goal Settings have influence upon Organizational success.

H₅: Transformational leaders’ have influence on Team Work.

H₆: Team Work has influence upon Organizational success.

H₇: Transformational leaders’ have influence on Organizational Commitment.

H₈: Organizational Commitment has influence upon Organizational success.

H₉: Transformational leaders’ have influence on Empowerment.

H₁₀: Empowerment has influence upon Organizational success.

H₁₁: Transformational leaders’ have influence on Communication.

H₁₂: Communication has influence upon Organizational success.

H₁₃: Transformational leaders’ have influence on Innovation.

H₁₄: Innovation has influence upon Organizational success.

H₁₅: Transformational leaders’ have influence on Motivation.

H₁₆: Motivation has influence upon Organizational success.

H₁₇: Transformational leaders’ have influence on task performance.

H₁₈: Task Performance has influence on Organizational success.

Organizational success was approached in terms of nine organizational factors which included task performance, organizational vision, goal setting, teamwork, organizational commitment, empowerment, communication, innovation and motivation; all these factors were part of the observed variables. Other observed variables included Idealized Influence (II), Inspirational Motivation (IM), Intellectual Stimulation (IS) and Individualized Consideration (IC), all of which led to organizational success, another observed variable. Transformational leadership was the latent variable. The conceptual model was drawn in such a way that different aspects of transformational leadership on one side would influence the nine factors to produce organizational success. It was found out that the default model produced minimal results or little organizational success while the modified model fit into the sample data. To modify the original model, a specific fixed parameter to be estimated was freed as seen in Figure I.

4.1 Hypothesis Testing Result

The collected data was run via AMOS for both confirmatory factor analysis as well as structural equation modeling. The resultant figures were put through a hypothesis testing procedure as seen in Table I. It was found out that only five hypotheses were not true; that is hypothesis 2, 6, 14, 16 and 18. All other hypotheses were true because the p value was always less than 0.05 and regression weights between specific variables’ relationship were affirmative.

TABLE I. HYPOTHESIS TESTING

Hypothesis	Standardized Coefficients	T Values	Sig
H ₁	.096	9.177	.000
H ₂	.052	.011	.992
H ₃	.098	9.747	.000
H ₄	.058	3.412	.000
H ₅	.119	9.491	.000
H ₆	.049	1.471	.141
H ₇	.110	9.653	.000
H ₈	.055	1.988	.047
H ₉	.103	9.187	.000
H ₁₀	.056	2.726	.006
H ₁₁	.094	8.437	.000
H ₁₂	.047	2.349	.019
H ₁₃	.114	3.501	.000
H ₁₄	.033	-.104	.917
H ₁₅	.072	10.888	.000
H ₁₆	.041	.848	.397
H ₁₇	.099	9.375	.000
H ₁₈	.049	6.453	.000

V. CONCLUSION

Transformational leadership is a key ingredient for the success of multinational companies. Bangkok is home to many MNCs following its cheap labor and centrality in the Asian region economy. This research sought to test several hypotheses with regard to organizational success in the context of transformational leaders. It collected data from 400 respondents and analyzed it by AMOS. It was found out that transformational leaders, and not organizational structures, played an important role in organizational success through different factors.

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