

ABSTRACT

The success of any organization fundamentally depends on the organization's leaders. With rapid technology changes and increasing trends of deregulation, e-commerce, and efficiency, this requires strong and effective leaders to guide their people and organizations through challenges and achieve positive outcomes. Many organizations have invested considerable time, money and resources to develop their leaders to be more effective. Numerous studies have revealed the positive effects of leadership on organizational effectiveness, employee satisfaction and engagement. Bass and Avolio's (1998) transformational leadership model of the four leadership behavior consisting of : 1) Idealized Influence (II), 2) Individualized Consideration (IC), 3) Inspirational Motivation (IM) and 4) Intellectual Stimulation (IS) was found to be the most widely used and considered to correlate highly with leadership effectiveness and success. This research intended to develop transformational leadership behavior of 42 middle management managers and assess their impact on subordinates' engagement and firm performance. Employee engagement consisted of two elements: employee job satisfaction and extra effort. Three measurements employed to measure the impact of organization performances were sales revenue, customer satisfaction and staff turnover rate. This research explored the degree of change in managers' leadership behavior as perceived by themselves as well as their subordinates, its impact on employees' engagement and organization performance. A control group with a population of 33 team leads and customer relationship staff was employed in comparison with the experimental group. Forty two middle management level managers of a foreign affiliated company participated in the transformational leadership development intervention.

This study followed the action research framework and employed both quantitative and qualitative methods in data collection and analysis. MLQ 5x Short and the organization's employee job satisfaction survey questionnaires were used for data collection to measure the pre-and post- ODI outcomes. This research employed an integrated multi-methods approach for the planned Organization Development Intervention (ODI) which included assessment of survey feedback, self-leadership practice, group reflective session, semi-in depth interviews and group project work. Four hypotheses proposed were: 1) significant difference between pre-and post-transformational leadership development of middle management managers, 2) positive impact on employee job satisfaction element 3) positive impact on employee extra effort, and 4) positive impact on organizational performance.

The results of the study showed support for the first hypothesis that there was a visible change in the four behavior patterns of transformational leadership on the managers as perceived by their subordinates. There was an impact on employee job satisfaction although weak statistical significance was seen as it supported the second hypothesis. The third hypothesis was supported with significant statistical impact on employees' extra effort. The archival data and results supported the fourth hypothesis that there was statistically significant impact on the organization's sales revenues, customer satisfaction and staff turnover.

The findings suggested that subordinates perceived statistically significant changes in four leadership behavior of their managers and that individualized consideration (IC) behavior had the strongest correlation with the employees' extra effort. Idealized influence (II) behavior revealed the second correlation with employees' extra effort.

Idealized influence behavior was found having the strongest correlation with employee job satisfaction and individualized consideration (IC) was second high correlation with job satisfaction. Though the study lasted only four months, the impact on organization outcomes were found to be very positive. The results of the control group revealed no impact on all

dependent variables: leadership behavior of managers, employee engagement and business performance outcome.

The study was conducted in one business and one organization. It would be better to extend the experiment to other similar businesses and different organizations so that future studies could be generalized, with more field tests conducted to study the impact on organizational performance. Behavioral change takes time to be implemented, therefore further studies are recommended by the researcher, to be carried out along with careful nurturing and monitoring and close follow up, which will be useful in order to foster and sustain change of the managers' leadership behavior.

Keywords: Transformational Leadership, Leadership Development, Leadership behavior, Organization Development Intervention, Action Research, Employee Engagement, Organization Performance.

