

# TRANSACTIONAL LEADERSHIP, TRANSFORMATIONAL LEADERSHIP AND JOB SATISFACTION IN CHINESE COMPANIES

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## ABSTRACT

This study is to determine the impact of transformational and transactional leadership styles of managers on subordinates' job satisfaction, in Chinese company. The study is exploratory and a random sample (N=100) is used. The multifactor leadership questionnaire is used to measure transformational and transactional leadership and MSQ is used to measure subordinate job satisfaction. The results indicated that there are significant impacts of transformational and transactional leadership on job satisfaction. We also find that the transformational leadership has higher positive effect than transactional leadership on job satisfaction.

**Key words :** Transformational Leadership, Transactional Leadership, Job Satisfaction

## INTRODUCTION OF BACKGROUND

In 21st century, Chinese companies are facing significant changes of environment such as China accedes to WTO and financial crisis. The Chinese companies have to meet a series of changes such as informationization, globalization and diversity. From 2000, The Chinese companies have more unprecedented competitors because those more global companies have invested in China when China enters to WTO. The Chinese companies have a greater weakness in management about leadership. The Chinese traditional leadership and management that are effected by Chinese culture can not adapt the current of development. Most Chinese companies transform their management system, business strategy, and operation. At the same time, the Chinese leadership style and behavior forms new

relationship between the leader and subordinates. The Chinese companies have begun to receive some advanced western idea when China reform and opening up. In fact, many Chinese companies copy western leadership and management. However, those advanced western theories are fall short of current condition of Chinese companies. If Chinese companies copy western theories, those western theories are inefficacies or reactions.

In the past few decades, most important western theories like transactional and transformational leadership are introduced to Chinese companies, so that Chinese leadership style has innovation. At the same time, the transactional and transformational leadership have achieved many studies combined with Chinese companies

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(Judge, Piccolo, 2004). The studies analyze transactional and transformational leadership from various aspects, and search the applicability of transactional and transformational leadership in Chinese companies.

## CONTRIBUTION AND OBJECTIVES OF STUDY

To survey transformational leadership and transactional leadership how affect job satisfaction in Chinese companies

To help Chinese companies enhance their job satisfaction through transformational and transactional leadership

To Understand and distinguish between transactional leadership and transformational leadership in the current condition of Chinese companies.

To Understand and distinguish the transactional leadership and transformational leadership relationship between job satisfactions

To establish linear model between transactional leadership and transformational leadership and job satisfaction.

## RESEARCH QUESTIONS AND HYPOTHESES

Follow as research objective, the study of research question include:

How does transactional leadership or transformational leadership affect subordinates' job satisfaction?

Is transformational leadership more effective than transactional leadership in Chinese firms?

According to the research question, this variable of study defined as job satisfaction, transactional leadership and transformational leadership. At the same time, job satisfaction uses the dimensions what is leadership style, management practices, rewards collaboration and work self to study. The transactional leadership uses the dimensions what is contingent

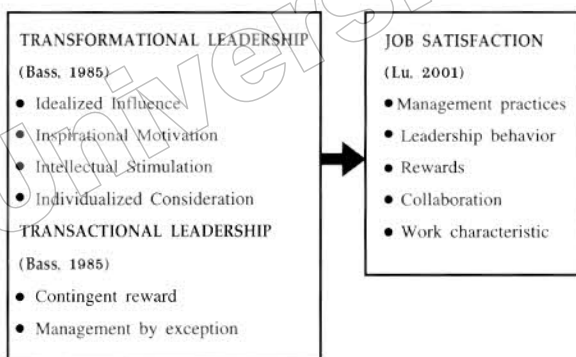
reward and management by exception to study. The transformational leadership uses the dimensions what is idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration to study. Based on the dimensions of each variable, this study is assumed to be:

H1: Transactional Leadership Has Positive Effect Job Satisfaction

H2: Transformational Leadership Has Positive Effect Job Satisfaction

H3: Transformational Leadership Has Higher Positive Effect on Job Satisfaction than Transactional Leadership

## CONCEPTUAL FRAMEWORK



Model 1-1: Study Framework

Based on model, this study discusses that the transactional leadership and transformational leadership has positive effect job satisfaction, and discuss the efficiency of transactional and transformational leadership at the Chinese company.

## LITERATURE REVIEW

Transactional leadership Burns (1978) noted that Transactional Leadership occurs "when one person takes the initiative in making contact with others for the purpose of an exchange of valued things". Transactional leadership is the exchange process

between with leader and follower. The leaders induct and inspire the follower to achieve goals through the definition task and needs of role. The leader offer reward, encouragement, promotion to satisfy the needs and desire of follower. The followers obey and achieve the goals.

## **TRANSFORMATIONAL LEADERSHIP**

Transformational Leadership is "the engagement of one or more persons with others in such a way that leaders and followers raise one another to higher levels of motivation and morality" (Burns, 1978).

## **JOB SATISFACTION**

Job satisfaction has been defined as a pleasurable emotional state resulting from the appraisal of one's job (Locke, 1976); an affective reaction to one's job (Cranny, Smith & Stone, 1992); and an attitude towards one's job (Brief, 1998). Weiss (2002) has argued that job satisfaction is an attitude but points out that researchers should clearly distinguish the objects of cognitive evaluation which are affect (emotion), beliefs and behaviors (Weiss, 2002).

## **IDEALIZATION INFLUENCE**

Idealization influence is a behavior of trust, adoration and following, it's means that the follower identify, estimation and trust leader, the leader have higher ethic, and individual charm. The followers always support vision planning of leader. (Bass, 1993)

## **INSPIRATIONAL MOTIVATION**

The inspirational motivation is the best method to achieve the company goals. The inspirational motivation is the spirit motivation; the key of inspirational motivation is to make the company future the

goal and orientation, and to lead the subordinates.

## **INTELLECTUAL STIMULATION**

The intellectual stimulation is to encourage the subordinate, to encourage creativity and ability of subordinate, actualize the self-challenge. Orientations are shifted, awareness is increased concerning the tensions between visions and realities, and experiments are encouraged by these leaders (Fritz, 1986).

Intellectual stimulation contributes to the independence and autonomy of subordinates and prevents "habituated follower ship," characterized by unquestioning trust and obedience (Graham, 1973).

## **INDIVIDUATION CONSIDERATION**

Individuation consideration is defined as the leaders attend each follower's needs, ability, and desire. At same times, leaders train and instruct follower based on the different condition and needs. (Bass, 1993)

**Contingent reward** The contingency reward that is founded by "human resource accounting" believes that individual value is determined by its future value (Gioia & Sims 1983). The leaders determine rewards and punishments according as realize the future value of subordinates. The theories combine with performance and goals, monitor and measure the current condition of goal and results, and provide an effective performance feedback.

## **MANAGEMENT BY EXCEPTION**

The management by exception is proposed by Taylor, Taylor noted that "the manager accepts only than that of conventional or standard of all exceptions... particularly good and particularly bad exception broad, compressed and compare the report of the so he had time to consider major policy issues and to study the

hands of the key personnel in his character and suitability issues." (Harper, 1911.) Thus, the leader intervene subordinates when they have errors, if those errors don't affect the goals the leader don't adopt the measures.

## LEADERSHIP STYLE

Leadership behavior is the action in the process of lead. The leaders have different performance at the different condition and task. The leadership behavior is an individual behavior, it's just to establish a adhere relationship. (Bass, 1993)

## MANAGEMENT PRACTICES

In the company, the management system effects the subordinate's satisfaction directly. The management system determines the standards that subordinates are willing to follow, and embodiment the subordinate's satisfaction. Secondly, subordinates participate in the management system and decision-making, so that subordinates enhance accomplishment, increase the enthusiasm and communication and coordinate within the company.

## REWARD

The reward of subordinates is embodied by the salary, benefits, training, work environment, promotion, etc.

## COLLABORATION

There are many relationships in company, the core relationship between with the subordinates and leaders, subordinates and subordinates. Secondly, the completion of work can not be done independently, its needs the cooperation. The estimation is the factor of collaboration. Kanter rules that is made by Luoshabeisi.

Moss. Kantor is validating essentiality of estimation to job satisfaction.

## WORK CHARACTERISTICS

The satisfaction of work characteristics is composed by work competence, work challenge, work matching, and work suitability (Xie, 2001)

## METHODOLOGY

### THE PARTICIPANTS OF THE STUDY

This study research the relationship between transformational leadership, transactional leadership, and job satisfaction from organization member aspects. So there are 100 companies as shown in the reporter "The Top Hundreds Companies in Yunnan 2009". A total of 100 companies will be systematically selected from the list above so that they cover various industries. Then the subjects (manager and subordinates) will be chosen using the random sample method. The target ratio between manager and subordinates is 1:5. The samples will include 100 manager and 500 subordinates. This study totally sends 720 questionnaires, thereinto the MLQ has 120 and the MSQ has 600; this study receives 650 questionnaires, deduct the null 50 questionnaire, the efficiency questionnaires have 600, the rate of reclaim is 83.33%.

## METHOD

This study uses questionnaire and statistical analysis to describe relationship between transformational leadership, transactional leadership and job satisfaction.

The questionnaire research refers the demographics, transformational leadership, transactional leadership and job satisfaction.

The main data collection instrument for this study is the MLQ questionnaire developed by Bass

and Avolio in 1993, and MSQ questionnaire. The MLQ questionnaire instructs respondent to judge how often manager displays 28 items of behavior, using five scales to measure, it's "0-not at all, 1- once in a while, 2- sometimes, and 3- fairly often, 4-frequently". There are six factors to be identified by the multifactor leadership questionnaire (MLQ). Four factors are identified as transformational leadership: idealized influence, inspirational motivation, and intellectual stimulation, individualized consideration. Two factors are identified as transactional leadership: contingency reward and management by exception. Overall, there are a total of 28 items on the MLQ. The question 1 to 20 is studying transformational leadership, and the question 21 to 28 is studying transactional leadership. The MSQ questionnaire instructs respondent to judge how often subordinate displays 20 item of feeling, using five scales to measure, it's "0- very disagrees" to "4- very agree" (R. Likert, 1932). There are five factors are identified by the Minnesota satisfaction questionnaire (MSQ). Five factors are identified as leadership style, the management practice, rewards, collaboration, and work self. (Lu, 2000).

## RESEARCH PROCESS

This study will use the Chinese version of MLQ and MSQ questionnaire. The MLQ and MSQ questionnaire will be modified by current condition of Yunnan companies. The main objective for the processes of modification is to ensure that the questionnaires accord with the current condition and there are no ambiguities in each item.

After being modify. The questionnaires will be ready to be delivered by e-mail and interview to managers of each company in Yunnan. The MLQ will be provided to managers to assess the transformational

and transactional leadership, the MSQ will be provided to subordinates to assess the job satisfaction.

In the study process, to alleviate any fears that the subordinates, the questionnaire will not be identified and they will also be told that no any colleague will be allowed to see the filled questionnaires. The questionnaires can be directly sent back to researcher, and the questionnaires can be destroyed at the end of study.

## DATA PROCESSING AND ANALYSIS

The data processing and analysis will be performed by SPSS. The data will describe by descriptive statistics including the mean, standard deviation, significance, etc. also the multiple linear regression analysis will be applied, whereas multiple regression is used to assess the relationship between two or more independent variables and dependent variables (Cooper & Schindler, 2003).

The score on each item will be summed and divided by the number of questions comprising that dimensions. Then the scores of each dimension are combined to obtain the total score on transformational and transactional leadership,

On job satisfaction, in order the leadership and job satisfaction is matching, the five subordinate will hang together. The score on each item will be summed and divided by the number of questions comprising that dimensions. Then the scores of each dimension are combined to obtain the total score.

According to hypotheses1-3, the relationship between each leadership dimension and job satisfaction will be tested. The multiple regressions will be performed in order to examine the relationship between leadership and job satisfaction. In this study, the two-tailed test will be conducted at level of significance

of 95%.

## RESULT OF THE STUDY

The research findings revealed that the transformational and transactional leadership scores generally ranged from sometimes to fairly often, the job satisfaction scores also ranged from sometimes to fairly often.

Moreover, as the multiple regressions was performed between both the Transformational and Transactional Leadership dimensions and the job satisfaction the results showed that the overall equation was significant.

On jobs satisfaction, subordinate perceived that they demonstrated job satisfaction styles sometimes to fairly often. In particular, subordinates rang between 2 and 3 out of 5 on all job satisfaction dimensions: Work rewards, work cooperation, leadership, work characters, management practice.

The multiple regression analysis was performed relationship between transformational leadership, transactional leadership and job satisfaction.

The table 1 results of multiple regression analysis between the dimension of transactional leadership, and job satisfaction. From results, the adjusted coefficient of determination suggests that the job satisfaction can be attributable to the transactional leadership at about 16.1%. an analysis of variance ? ANOVA? shows the F value of 10.508 which is to conclude that the multiple regression model between the Transactional Leadership and the job satisfaction above were significant.

Model Summary

Model	R	R Square	Adjust R Square	Std. Error of the Estimate
1	.422 <sup>a</sup>	.178	.181	.10839

a. Predictors: (Constant), x22, x21

ANOVA<sup>b</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.247	2	.123	10.508	.000 <sup>a</sup>
Residual	1.140	97	.012		
Total	1.387	99			

a. Predictors: (Constant), x22, x21

b. Dependent Variable: y

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.295	.098		23.395	.000
x21	.079	.036	.221	2.202	.030
x22	.080	.028	.282	2.815	.006

a. Dependent Variable: y

The table 2 results of multiple regression analysis between the dimension of transformational leadership, and job satisfaction. From results, the adjusted coefficient of determination suggests that the job satisfaction can be attributable to the transformational leadership at about 31.7%. an analysis of variance ? ANOVA? shows the F value of 12.466 which is to conclude that the multiple regression model between the Transformational Leadership and the job satisfaction above were significant.

Model Summary

Model	R	R Square	Adjust R Square	Std. Error of the Estimate
1	.587 <sup>a</sup>	.344	.317	.09783

a. Predictors: (Constant), x14, x12, x11, x13

ANOVA<sup>b</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.477	4	.119	12.466	.000 <sup>a</sup>
Residual	.909	95	.010		
Total	1.387	99			

a. Predictors: (Constant), x14, x12, x11, x13

b. Dependent Variable: y



Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.892	.127		14.879	.000
x11	.102	.044	.209	2.312	.023
x12	.087	.025	.299	3.477	.001
x13	.053	.025	.191	2.116	.037
x14	.062	.025	.219	2.484	.015

a. Dependent Variable: y

Table 2: Summary of Regression Model

between Transformational and job satisfaction.

In all, the tables 3 result of multiple regression

analysis between the transformational leadership and transactional leadership, and job satisfaction. From results, the adjusted coefficient of determination suggests that the job satisfaction can be attributable to the transformational and transactional leadership at about 38.4%. an analysis of variance (ANOVA) shows the F value of 31.797 which is to conclude that the multiple regression model between the Transformational and Transactional Leadership and the job satisfaction above were significant.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.629 <sup>a</sup>	.396	.364	.09292

a. Predictors: (Constant), x2, x1

ANOVA<sup>b</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.549	2	.275	31.797	.000 <sup>a</sup>
Residual	.837	97	.009		
Total	1.387	99			

a. Predictors: (Constant), x2, x1

b. Dependent Variable: y

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.745	.123		14.181	.000
x1	.266	.045	.498	5.916	.000
x2	.093	.032	.248	2.950	.004

a. Dependent Variable: y

Table 3: Summary of Regression Model

between Transformational and Transactional Leadership and job satisfaction

## DISCUSSION

Based on the findings, managers may want to pay attention to the idealized influence and inspirational motivation, contingent reward on leadership style. One possible reason for these findings may be that Chinese culture. China is not only a high consciousness country that own two thousands tradition culture, but also harmony society that is affected Confucian. Compared with western, Chinese leader own unique character that is moral, so that the moral directly impact the Chinese leader.

About job satisfaction, the subordinates have more pay attention to the work character, work cooperation, work reward.

Using the scores of all samples combined the multiple regression analysis between both the transformational leadership dimensions and the job satisfaction showed that idealized influence was the strongest predictor affecting the job satisfaction. This suggests that managers can influence the job satisfaction via idealized influence by increasing assuredness and ability, increasing communication with subordinates. In addition, Inspirational leaders have the ability to influence subordinates to achieve subordinates' expectations.

Using the scores of all samples combined the multiple regression analysis between both the transactional leadership dimensions and the job satisfaction showed that contingent reward was the strongest predictor affecting the job satisfaction. This suggests that managers can influence the job satisfaction via contingent reward by explaining goals

clearly, indexing the detail behavior and results, controlling and measuring the goals, improving feed back of performance.

Based on these multiple regression results, management, therefore, should place a high importance on intellectual stimulation and Management-by-Exception in further improving their subordinate's job satisfaction. Since both Transformational and Transactional Leadership positively affect the job satisfaction, and the transformational leadership more positively affects job satisfaction than doing transactional leadership, managers, therefore, may want to use both leadership styles at different times and in different situations to maximize their leadership effectiveness.

#### LIMITATION OF THE STUDY

The subjects of this research were drawn only from companies in Yunnan. And this subject just is deputy of Yunnan companies, so the finding of this research may not be generalized.

This study consider the dimensions of transformational leadership, transactional leadership and job satisfaction, in fact about other independent variables were not measured and analyzed such as cultural and demographic.

#### SUGGESTION FOR FUTURE RESEARCH

In fact, job satisfaction is effected by many factors, such as transactional and transformational leadership. The cultural and demographic as the main factors effect the job satisfaction also. So the future research could study the relationship between transactional and transformational leadership, and job satisfaction under the difference cultural or/and demographic.

This study performs using certain samples

in Yunnan, so the findings only limited implications. The future research could be performed by different samples, industry and area to observe the transformational and transactional leadership as relates to various job satisfactions.

Leadership has lots of style; different style affects job satisfaction from different aspect, so the future research could study the relationship between others leadership and job satisfaction.

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