

THE EFFECT OF TRANSFORMATIONAL LEADERSHIP STYLE AND WORKING SATISFACTION ON INTENT TO STAY AMONG MANUFACTURING COMPANIES IN MALAYSIA

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ABSTRACT

This study aimed to explore the impact of transformational leadership style, job satisfaction, and intention to stay among employees in manufacturing companies in Malaysia. Conducted as a non-experimental, quantitative, and explanatory study, it focused on individuals aged 21 and above who were employed in Malaysian manufacturing companies at the time of the survey. The primary research question addressed was: To what extent do transformational leadership and job satisfaction impact employees'

intention to stay with their companies? Data were collected through a survey that measured the independent variable, transformational leadership style, using adapted the Global Transformational Leadership Scale (GTL), and the dependent variables, job satisfaction and intention to stay, using the adapted Job Satisfaction Survey (JSS) and adapted the Organizational Commitment Questionnaire, respectively. The findings revealed that both transformational leadership and job satisfaction significantly and positively influence employees' intention to stay, highlighting the importance of leadership style and job satisfaction in fostering employee retention within the Malaysian manufacturing sector.

Keywords: *Transformational Leadership, Job Satisfaction, Intention to Stay, Manufacturing Sector in Malaysia.*

1.0 INTRODUCTION

The leadership style within organizations significantly impacts employee behavior and organizational outcomes (Asgari et al., 2020; Baig et al., 2021; Ichsan et al., 2021). Among various leadership models, transformational leadership stands out for its potential to foster positive organizational change by inspiring employees, enhancing job satisfaction, and improving retention rates (Akdere & Egan, 2020; Chandra et al., 2023; Crowley, 2022). Transformational leadership emphasizes personalized attention, intellectual stimulation, and the motivation of employees to exceed performance expectations, creating a work environment conducive to growth and development (Mafaz & Ahmad, 2024; Manu, 2022).

In the context of Malaysia's manufacturing sector, this leadership style has become increasingly important. The sector, facing challenges such as high turnover rates and fluctuating employee satisfaction, requires leadership approaches that not only retain talent but also create an engaging and supportive work atmosphere (Lo et al., 2013; Siew, 2017; Wen et al., 2019). Despite extensive research on transformational leadership globally, there remains a gap in the literature regarding its specific impact on job satisfaction and employee retention in the Malaysian manufacturing industry.

This study aims to explore how transformational leadership affects job satisfaction and the intent to remain among employees in manufacturing companies within Malaysia. By examining these relationships, the study seeks to provide insights that can help leaders in this sector adopt strategies that promote employee engagement and reduce turnover. Understanding these dynamics will contribute to enhancing leadership practices in manufacturing, ultimately supporting the industry's sustainable growth.

2.0 PROBLEM STATEMENT

The manufacturing sector in Malaysia, like many other industries, faces significant challenges related to employee retention and job satisfaction (Lo et al., 2013; Siew, 2017). These issues can negatively affect productivity and organizational performance. While

transformational leadership has been widely recognized as a leadership style that positively influences employee attitudes and behaviors, its specific effects on job satisfaction and intent to remain in Malaysia's manufacturing sector have not been sufficiently. Existing studies have primarily focused on general leadership styles or other industries (Mafaz & Ahmad, 2024), leaving a gap in understanding the direct influence of transformational leadership within this context.

Manufacturing companies in Malaysia are particularly vulnerable to high employee turnover due to the demanding nature of the work and competitive employment opportunities (Alias et al., 2018; Queiri et al., 2015). Therefore, it is crucial to investigate how transformational leadership can mitigate these issues by enhancing job satisfaction and reducing turnover intentions among employees. This research addresses the need to explore the relationship between transformational leadership, job satisfaction, and intent to remain in Malaysia's manufacturing industry, thereby contributing valuable insights to both leadership theory and practical applications within the sector.

This study, therefore, seeks to address these gaps by exploring the relationship between transformational leadership, job satisfaction, and employees' intent to remain in the Malaysian manufacturing sector. By focusing on how transformational leadership practices can enhance employee satisfaction and reduce turnover, this research aims to provide valuable insights for manufacturing leaders looking to improve workforce stability and performance. Understanding the dynamics between leadership style, job satisfaction, and retention in this context is crucial for developing effective strategies to meet the challenges of the industry and promote a more satisfied and committed workforce.

The objectives of this study are as follows:

1. To examine the effect of transformational leadership on employees' intent to stay among employees in manufacturing companies in Malaysia.
2. To assess the impact of job satisfaction on employees' intent to stay with their current manufacturing organizations.

3.0 LITERATURE REVIEW

Transformational Leadership and Job Satisfaction

Transformational leadership is characterized by its ability to inspire and motivate employees to go beyond their self-interest for the good of the organization (Avolio & Bass, 1995). This leadership style has four main components: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Leaders who exhibit these traits can foster a work environment that enhances job satisfaction by focusing on employees' personal growth and aligning their individual goals with the organizational vision (Jung & Avolio, 1999). Numerous studies have shown that transformational leaders

positively impact their employees' attitudes toward their jobs, creating a sense of commitment and satisfaction (Aziri, 2011; Zito et al., 2018).

Job satisfaction, a multidimensional concept, involves an employee's emotional response to various job-related factors, such as work conditions, rewards, and the social environment within the organization (Spector, 1994). A transformational leader, by offering support, providing feedback, and encouraging personal development, can positively influence these factors, thereby enhancing overall job satisfaction (Avolio et al., 2004). Research consistently shows a strong link between transformational leadership and job satisfaction. For instance, a study by Judge & Piccolo (2004) highlighted that employees working under transformational leaders report higher levels of job satisfaction, as these leaders tend to create a more engaging and supportive work environment. Similarly, (Afsar & Umrani, 2020) found that transformational leadership positively influences various aspects of job satisfaction by providing personalized attention to employees and fostering a sense of purpose in their roles.

In the Malaysian context, leadership styles, including transformational leadership, have shown to significantly influence employee outcomes. However, specific studies within the manufacturing sector are limited, especially regarding the direct link between transformational leadership and job satisfaction. Thus, this study aims to fill this gap by examining the relationship between transformational leadership and job satisfaction in Malaysia's manufacturing industry.

Transformational Leadership and Intent to Stay

Intent to stay, defined as an employee's desire to stay with their current organization, is crucial for organizational stability. Employee retention is affected by numerous factors, including leadership style. Transformational leaders, who provide inspiration and a sense of belonging, may significantly influence employees' decisions to stay in an organization (Price & Mueller, 1981). Employees are more likely to remain in organizations where they feel supported, valued, and part of a larger vision. This sense of belonging is often cultivated by transformational leaders who focus on fostering a supportive and inclusive work environment (Holten et al., 2018).

Several studies indicate a direct correlation between transformational leadership and lower turnover intentions. For example, (Bass & Riggio, 2006) found that transformational leadership not only boosts job satisfaction but also significantly reduces employees' intentions to leave the organization. Research by (Mustapha et al., 2010) further supports this, indicating that the support and motivation provided by transformational leaders often result in employees developing a stronger commitment to the organization, thereby reducing turnover intentions.

In the manufacturing sector, where high turnover rates are common, understanding how leadership influences intent to remain is essential. Transformational leadership, by addressing employees' emotional and psychological needs, may play a pivotal role in encouraging employees to remain within their organizations. However, studies specifically

focusing on this dynamic within the Malaysian manufacturing context are scarce, highlighting the need for further research.

Hypotheses Development

Based on the literature reviewed, the following hypotheses are proposed:

- H1: Transformational leadership style is positively related to employees' intent to stay in manufacturing companies in Malaysia.
- H2: Job satisfaction is positively related to employees' intent to stay in manufacturing companies in Malaysia.

4.0 METODOLOGY

This study adopts a quantitative, non-experimental research design to examine the relationship between transformational leadership, job satisfaction, and employees' intent to remain in manufacturing companies in Malaysia. The quantitative approach was chosen because it allows for the collection of numerical data and statistical analysis, which is essential for identifying relationships between variables.

Sample and Population:

The population for this study consists of 400 employees from manufacturing companies in Malaysia, particularly those affiliated with the Federation of Manufacturing Malaysia (FMM). A random sampling method was used to select participants, ensuring that every individual in the target population had an equal chance of being included in the study. The sample size was determined using power analysis to ensure that the study has enough participants to detect meaningful relationships between the variables.

Data Collection:

Data was collected through a modified and adapted structured survey distributed to participants online. The survey consisted of three main sections:

- Transformational Leadership: Measured based on the Global Transformational Leadership Scale (GTL), which assesses leadership behaviors such as vision, support, and intellectual stimulation.
- Job Satisfaction: Measured based on the Job Satisfaction Survey (JSS), which evaluates selected aspects of job satisfaction.
- Intent to Remain: Measured using items adapted from the Organizational Commitment Questionnaire (OCQ), focusing on employees' desire to stay with their current employer.

Data Analysis:

The data collected was analyzed using statistical techniques such as correlation and regression analysis. These methods were used to examine the relationships between transformational leadership, job satisfaction, and intent to stay.

5.0 RESULTS AND DISCUSSION

Table 1: Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	259	64.8	64.8	64.8
Female	141	35.3	35.3	100.0
Total	400	100.0	100.0	

Table 2: Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0-5 years	65	16.3	16.3	16.3
6-10	98	24.5	24.5	40.8
11-15	102	25.5	25.5	66.3
16-20	92	23.0	23.0	89.3
Over 21 years	43	10.8	10.8	100.0
Total	400	100.0	100.0	

Table 3: Position

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Management	76	19.0	19.0	19.0
Operation	324	81.0	81.0	100.0
Total	400	100.0	100.0	

As shown in Table 1, the sample consists of 400 participants, with a majority being male (64.8%), while females represent 35.3%. In terms of experience (as outlined in Table 2), 16.3% of participants have 0-5 years of experience, 24.5% have 6-10 years, 25.5% have 11-15 years, 23.0% have 16-20 years, and 10.8% have over 21 years of experience. Regarding position, Table 3 shows that 19.0% of the respondents are in management, while

the remaining 81.0% work in operations, indicating a workforce predominantly engaged in operational roles.

The Figure 1: The Measurement Model displays the simultaneous combination of four exogenous latent constructs, namely Idealized Influence (Id_Inf), Inspirational Motivation (Ins_M), Intellectual Stimulation (Int_St), and Individualized Consideration (Ind_Co). Each latent construct is measured by four observed indicators (IF1-IF4, IM1-IM4, IS1-IS4, IC1-IC4), with factor loadings shown above the arrows connecting the latent constructs to their respective indicators. The factor loadings range from 0.74 to 0.87, indicating strong relationships between the items and their latent constructs. The double-headed arrows between the latent constructs indicate the correlations among the constructs. This model achieved discriminant validity because the correlations between the exogenous constructs are all less than or equal to 0.85, which is an acceptable threshold for establishing that the constructs are distinct from each other. The fitness indexes at the bottom right indicate that the model fits the data well: Chi-Square is 97.580 with $df = 98$, leading to a $ChiSq/df = 0.996$. The GFI (Goodness-of-Fit Index) is 0.962, the AGFI (Adjusted Goodness-of-Fit Index) is 0.947, and the CFI (Comparative Fit Index) is 1.000, all of which are above the recommended thresholds for good model fit. Finally, the RMSEA (Root Mean Square Error of Approximation) is 0.000, indicating an excellent fit.

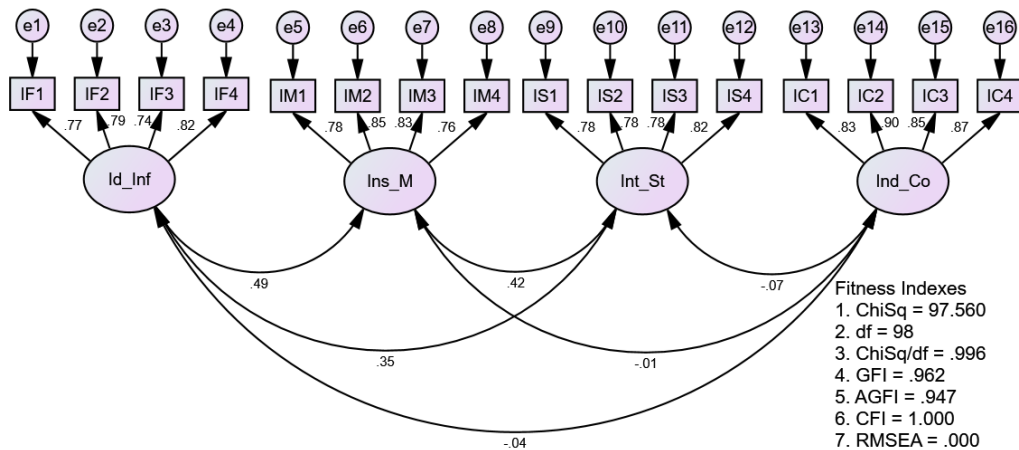


Figure 1: The Measurement Model combining All Exogenous Latent Constructs Simultaneously

The Figure 2: The Measurement Model shows the simultaneous combination of five mediator/endogenous latent constructs: Contingent Rewards (CR), Fringe Benefits (FB), Supervision (Sv), Promotion (Pro), and Pay. Each latent construct is measured by multiple observed indicators, with factor loadings ranging from 0.53 to 0.79, indicating moderate to strong relationships between the indicators and their respective latent constructs. The double-headed arrows represent the correlations among the latent constructs, with coefficients ranging from 0.02 to 0.40. These values demonstrate the relationships between

the constructs, while also indicating that the model achieves discriminant validity, as the correlations are sufficiently distinct. The model fit indices show that the measurement model fits the data well. The Chi-Square value is 166.963 with $df = 160$, resulting in a $ChiSq/df = 1.044$, which is within the acceptable range. The GFI (Goodness-of-Fit Index) is 0.949, the AGFI (Adjusted Goodness-of-Fit Index) is 0.933, and the CFI (Comparative Fit Index) is 0.998—all of which exceed the recommended thresholds, indicating a good fit. The RMSEA (Root Mean Square Error of Approximation) is 0.012, which is also within the acceptable range for good model fit.

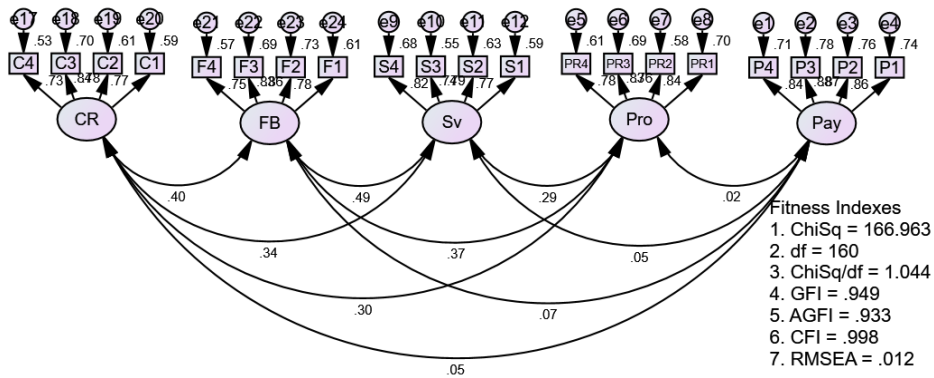


Figure 2: The Measurement Model combining All Mediator / Endogenous 1 Latent Constructs Simultaneously

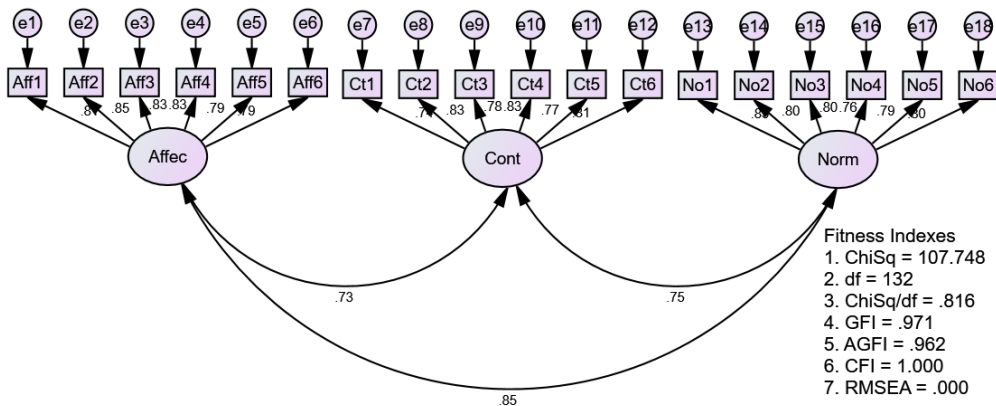


Figure 3: The Measurement Model combining All Dependent/ Endogenous 2 Latent Constructs Simultaneously

Figure 3 presents the measurement model combining three latent constructs: Affective Commitment (Affec), Continuance Commitment (Cont), and Normative Commitment (Norm). The diagram shows how each latent construct is measured by its respective observed variables (items). For Affective Commitment, six observed items (Aff1 to Aff6)

load onto the latent construct, with factor loadings ranging from 0.75 to 0.88. Continuance Commitment is measured by six items (C1 to C6) with loadings between 0.77 and 0.84. Normative Commitment is also measured by six items (No1 to No6), with loadings ranging from 0.70 to 0.86.

The model fit indices indicate a well-fitting model: the Chi-square value (ChiSq) is 107.748 with 132 degrees of freedom (df), yielding a ChiSq/df ratio of 0.816. Goodness-of-fit measures, including the Goodness-of-Fit Index (GFI) at 0.971, Adjusted Goodness-of-Fit Index (AGFI) at 0.962, and Comparative Fit Index (CFI) at 1.000, all indicate an excellent model fit. Additionally, the Root Mean Square Error of Approximation (RMSEA) is 0.000, suggesting no significant error in the model. The correlations between the latent constructs are also depicted, with correlations of 0.85 between Affective and Continuance Commitment, 0.75 between Continuance and Normative Commitment, and 0.73 between Affective and Normative Commitment. Since all correlation values are at or below 0.85, this supports the acceptance of discriminant validity, indicating that the constructs are sufficiently distinct from each other in the measurement model.

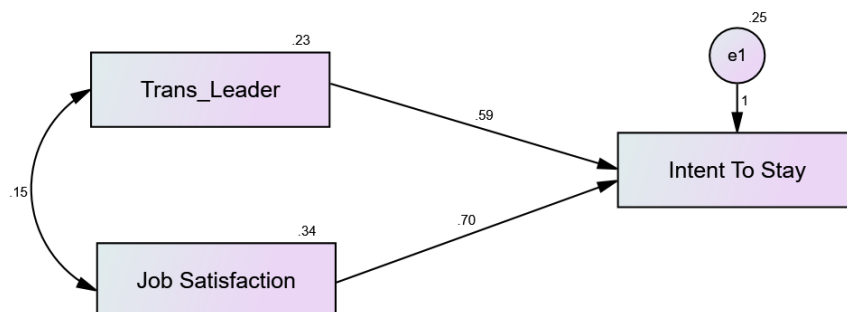
Table 4: Regression Weights Transactional Leadership and Job Satisfaction in Predicting Intention to Stay

			Estimate	S.E.	C.R.	P
In_toSty	<---	TranL	.590	.060	9.802	***
In_toSty	<---	JobS	.700	.049	14.332	***

Table 5: The Correlation Estimate for Each Pair of Exogenous Construct

			Estimate	S.E.	C.R.	P
TranL	<-->	JobS	.146	.016	9.349	***

Figure 4: The Multiple Regression Models for Observed Variables



The results in Figure 4 and the accompanying tables provide clear evidence of significant regression coefficients for both Transformational Leadership and Job Satisfaction in

predicting Intention to Stay. Table 4 displays the regression weights for the relationships between Transformational Leadership and Job Satisfaction on Intention to Stay. The estimate for Transformational Leadership's influence on Intention to Stay is 0.590, with a standard error (S.E.) of 0.060 and a critical ratio (C.R.) of 9.802. This result is statistically significant, as indicated by a p-value of *** ($p < 0.001$), supporting the hypothesis that Transformational Leadership has a positive and significant impact on Intention to Stay.

Similarly, Job Satisfaction also significantly predicts Intention to Stay, with a higher regression estimate of 0.700, a smaller standard error of 0.049, and a critical ratio of 14.332, again highly significant with a p-value of *** ($p < 0.001$). This confirms that Job Satisfaction has a positive and significant influence on Intention to Stay. In Table 5, the correlation between Transformational Leadership and Job Satisfaction is reported with an estimate of 0.146, a standard error of 0.016, and a critical ratio of 9.349, with a p-value of *** ($p < 0.001$). This significant correlation indicates that while both constructs independently influence Intention to Stay, there is also a meaningful relationship between Transformational Leadership and Job Satisfaction.

6.0 CONCLUSION

Based on the results, it can be concluded that both Transformational Leadership and Job Satisfaction play a significant and positive role in predicting employees' Intention to Stay. The regression analyses demonstrated that Transformational Leadership has a substantial positive impact on Intention to Stay, with a regression coefficient of 0.590 ($p < 0.001$), indicating that leaders who exhibit transformational behaviors significantly enhance employees' desire to remain with the organization. Similarly, Job Satisfaction was found to be an even stronger predictor of Intention to Stay, with a regression coefficient of 0.700 ($p < 0.001$). This underscores the critical role of job satisfaction in influencing retention, suggesting that employees who experience higher job satisfaction are more likely to commit to staying with their organization. Furthermore, the significant correlation between Transformational Leadership and Job Satisfaction ($r = 0.146$, $p < 0.001$) indicates a moderate relationship between the two, but they remain distinct predictors in influencing Intention to Stay.

Overall, the findings suggest that organizations aiming to increase employee retention should focus on fostering transformational leadership practices and enhancing job satisfaction, as both are key drivers of employees' Intention to Stay.

AUTHOR CONTRIBUTIONS

Nasir, N. S. M.: Conceptualization; Muhammad, C. K.: Methodology, Software, Writing-Original Draft Preparation; Roslan, R.: Software, Validation; Zaid, D. S.: Writing-Reviewing and Editing.

CONFLICT OF INTEREST

The manuscript has not been published elsewhere and is not under consideration by other journals. All authors have approved the review, agree with its submission and declare no conflict of interest on the manuscript.

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