

The Impact of Transformational Leadership on Job Satisfaction and Loyalty of Employees in Gach Men Nha Y Co., Ltd.

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Abstract:- This study was conducted to test the impact of transformational leadership on employees' job satisfaction and loyalty at Gach Men Nha Y Co., Ltd. The thesis uses qualitative research method (group discussion) and quantitative research method (analysis of SEM linear structure model). Research results show that there are 03 positive impact factors on job satisfaction. Idealized Influence Behavior is the strongest impact factor ($\beta = 0.331$). Individualized Consideration affects job satisfaction in second place ($\beta = 0.22$). Idealized Influence Attribution affects job satisfaction with $\beta = 0.197$. And finally, job satisfaction (with $\beta = 0.088$) affects employee loyalty to the organization.

Keywords:- Transformational Leadership, Job Satisfaction, Loyalty.

I. INTRODUCTION

In organizational behavior, leadership is one of the factors affecting employee loyalty. There are many studies on the influence of transformational leadership on satisfaction and loyalty of employees, such as Tran Kim Dung & Nguyen Thi Mai Trang (2005), Avolio et al (2004); Dum Dum et al (2002).

However, in Vietnam, there have not been many researches on this issue. Meanwhile, the percentage of employees who resign, quit their jobs and moved to other companies was increasing.

Research by Aselstine & Alletson (2006) suggests that the key principle for creating cohesion in the 21st century is the transformational leadership. When employees are more engaged, their possibility to transfer jobs, seek new jobs, plan to leave their current jobs or plan to retire soon will be lower.

Therefore, the study on "The impact of transformational leadership on job satisfaction and loyalty of employees in Gach Men Nha Y Co., Ltd." is conducted in order to examine and confirm the importance of transformational leadership on employees' job satisfaction and loyalty.

II. LITERATURE REVIEW

A. Transformational leadership

Max Weber is the initiator of the research approach of transformational leadership. He thinks that attractive leadership (Charismatic/Hero - Transformer) is heroes who create changes. Burns (1978) described transformational leadership as the process in which "leaders and subordinates influence each other in order to increase the levels of morality and encouragement".

B. Measuring transformational leadership

Transformational leadership is measured through 5 factors: Idealized Influence Attribution-IA, Idealized Influence Behavior-IB, Inspirational Motivation-IM, Intellectual Stimulation-IS and Individualized Consideration-IC (Burns, 1978).

C. Research models and hypotheses

The Meta analysis of DeGroot et al. (2000) when considering the influence of attractive leadership on organizational cohesion and satisfaction proposed a very strong correlation. Most results show that there is a positive relationship between transformational leadership and job satisfaction of employees. On that basis, the hypotheses are proposed:

Hypothesis H1: Idealized Influence Attribution (IA) has a positive impact on the job satisfaction

Hypothesis H2: Idealized Influence Behavior (IB) has a positive impact on the job satisfaction

Hypothesis H3: Inspirational Motivation (IM) has a positive impact on the job satisfaction

Hypothesis H4: Intellectual Stimulation (IS) has a positive impact on the job satisfaction

Hypothesis H5: Individualized Consideration (IC) has a positive impact on the job satisfaction

Niehoff et al. (1990) has shown that the correlation between job satisfaction and loyalty is very high. This approach is also found in the study of Lok & Crawford (2001) when considering job satisfaction as an intermediate variable between leadership and bonding. Therefore, hypothesis H6 is proposed:

Hypothesis H6: Job satisfaction has a positive impact on the loyalty of employees

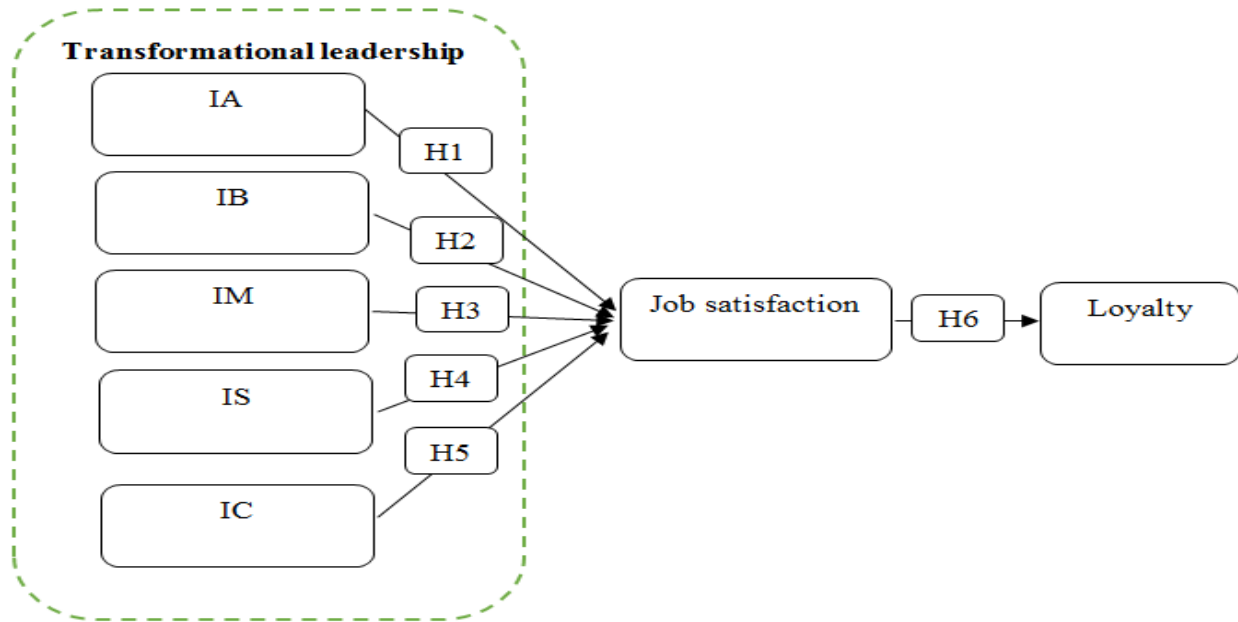


Fig 1:- Proposed research model

III. RESEARCH METHODOLOGY

A. Research Methods

Qualitative research method: Group discussion method. The interviewed subjects are 10 leaders working at Gach Men Nha Y Company Limited. During the interview, the author asked closed questions on the components of transformational leadership, job satisfaction and employees' loyalty. The purpose of this study is to explore ideas, at the same time collect more information, supplement, adjust

questionnaires, and formulate official questionnaires to conduct quantitative surveys.

Quantitative research method: The method of linear structural analysis is used to test the research model. The Maximum Likelihood estimation method is used to estimate parameters in theoretical models.

B. Measurement scale

Scale	No. of observations	Source
Transformational leadership components		
1. Idealized Influence Attribution (IA)	4	Bass (1985)
2. Idealized Influence Behavior (IB)	4	Bass (1985)
3. Inspirational Motivation (IM)	4	Bass (1985)
4. Intellectual Stimulation (IS)	4	Bass (1985)
5. Individualized Consideration (IC)	4	Bass (1985)
Job satisfaction	4	JDI
Loyalty	4	Mowday et al. (1979)

Table 1:- Measurement scale

C. Official research sample

The research model includes 5 independent variables, 1 intermediate variable, 1 dependent variable, with 29 observed variables. Therefore, to meet the analysis goal of the topic, the author chooses the minimum sample size of 145 (29*5). In order to meet the research sample, the study generated 200 survey questionnaires, 195 results were collected in which 15

were invalid, so the official research sample was 180 (valid votes rate: 180/200 = 90%).

IV. RESEARCH FINDINGS AND RESULTS

The model has 05 independent variables (IA, IB, IM, IS, IC), an intermediate variable (job satisfaction) and a dependent variable (loyalty to the organization).

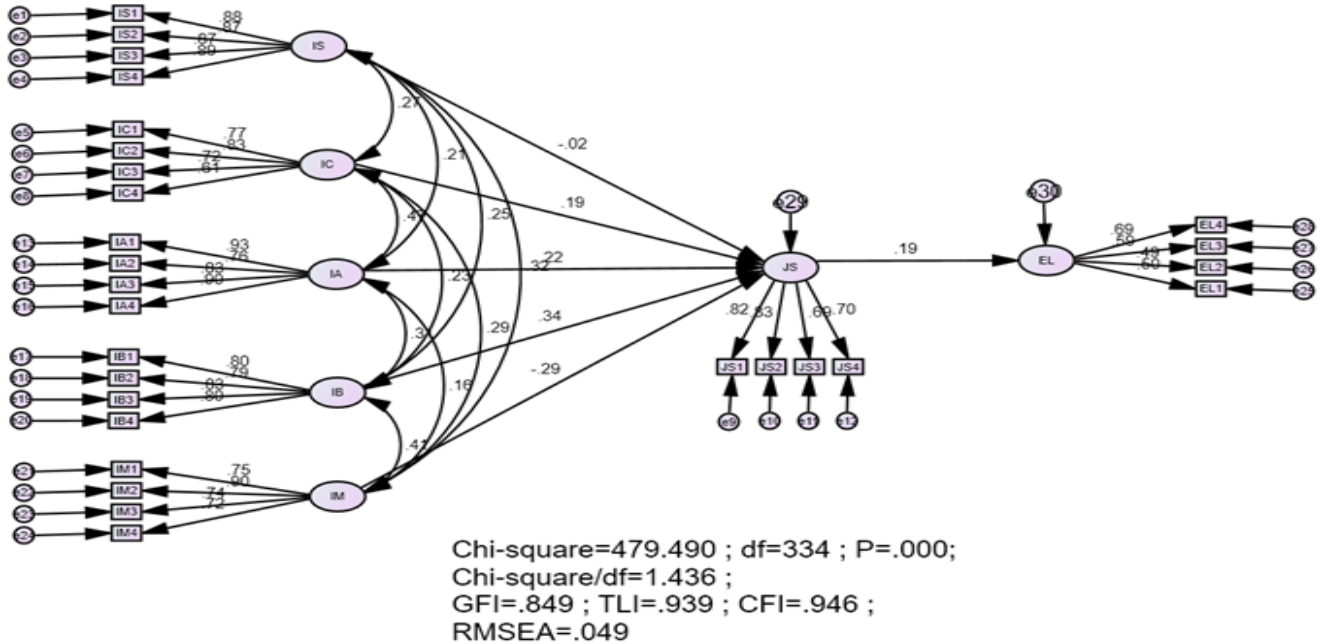


Fig 2:- Linear structure model (standardized)

Relationship			Unstandardized Estimates	S.E.	C.R.	P
JS	<---	IS	-0.023	0.081	-0.277	0.782
JS	<---	IC	0.22**	0.111	1.976	0.048
JS	<---	IA	0.197**	0.083	2.366	0.018
JS	<---	IB	0.331***	0.092	3.615	0.000
JS	<---	IM	-0.354	0.117	-3.024	0.002
EL	<---	JS	0.088*	0.046	1.899	0.058

Table 2:- Results of testing the relationship between research concepts

Note: *, **, *** corresponds to 10%, 5% and 1% significance levels

Standardized results of the SEM linear structure model show that there are 03 positive impact factors on job satisfaction. Idealized Influence Behavior is the strongest impact factor ($\beta = 0.331$). Individualized Consideration affects job satisfaction in second place ($\beta = 0.22$). Finally, Idealized Influence Attribution affects job satisfaction with $\beta = 0.197$.

Job satisfaction has a positive effect on the employees' loyalty to the organization with $\beta = 0.088$. Total explanation

level of 3 independent variables (Idealized Influence Behavior, Individualized Consideration, Idealized Influence Attribution) and the intermediate variable (job satisfaction) to the dependent variable (employees' loyalty to the organization) are presented as follows:

$$R^2 = 1 - (1-0.265)*(1-0.037) = 29\%$$

The results of verification of research hypotheses are summarized as follows:

Hypothesis	Result
Hypothesis H1: Idealized Influence Attribution (IA) has a positive impact on the job satisfaction	Accept H1
Hypothesis H2: Idealized Influence Behavior (IB) has a positive impact on the job satisfaction	Accept H2
Hypothesis H3: Inspirational Motivation (IM) has a positive impact on the job satisfaction	Reject H3
Hypothesis H4: Intellectual Stimulation (IS) has a positive impact on the job satisfaction	Reject H4
Hypothesis H5: Individualized Consideration (IC) has a positive impact on the job satisfaction	Accept H5
Hypothesis H6: Job satisfaction has a positive impact on the loyalty of employees	Accept H6

Table 3:- Summary of hypothesis testing

V. CONCLUSION

Through survey and analysis, the research results show that there are 4 factors of impact: Idealized Influence Attribution (IA), Individualized Consideration (IC), Idealized Influence Behavior (IB) and job satisfaction. Job satisfaction has an intermediate role between transformational leadership and employees' loyalty. In particular, the factor most influencing job satisfaction and loyalty based on the standardized beta coefficient are:

- (1). Idealized Influence Behavior (IB)
- (2). Individualized Consideration (IC)
- (3). Idealized Influence Attribution (IA)

The regression model has a coefficient of $R^2 = 29\%$, the estimation model is consistent with the data set, explaining 29% of the influence of factors on employees' loyalty for the organization. Research hypotheses H1, H2, H5 and H6 are accepted at 90%, 95% and 99% reliability.

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