

# THE EFFECT OF TRANSFORMATIONAL LEADERSHIP ON ORGANIZATIONAL AGILITY: THE STUDY OF AEROSPACE MANUFACTURING COMPANY IN MALAYSIA

Jaafar, N.A.<sup>a</sup>, Razak, A.N.S.<sup>b</sup>, Shamsudin Z.<sup>c\*</sup>

<sup>a</sup> Faculty of Business, DRB-HICOM University of Automotive Malaysia, Peramu Jaya Industrial Area, 26607 Pekan, Pahang, MALAYSIA

<sup>b</sup> Azman Hashim International Business School, University Teknologi Malaysia Skudai, 81310, Johor Bahru, Johor, MALAYSIA.

<sup>c</sup> Faculty of Manufacturing Engineering, Universiti Teknikal Malaysia Melaka, 76100 Durian Tunggal, Melaka, MALAYSIA.

\* Corresponding author: [noraz7922@gmail.com](mailto:noraz7922@gmail.com)

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## Abstract

The purpose of this research project is to investigate the effects of the characteristics of a transformational leadership trait on organizational agility in one of the aerospace manufacturing companies in Malaysia. The method of the present study was descriptive. The population of this research included the management of the said company from the bottom to the top, which included the head of section, head of department and head of division. The total number of 120 headcount is considered in this research. The 120 headcount represents 95% of the population of the management group in the mentioned company. The expectation is that transformational leadership characteristics will have an effect on organizational agility. Only two of the transformational leadership characteristics are considered in the research project, which are idealized influence and inspirational motivation. This research will benefit both administrative and management, whereby senior management needs to emphasize and practice the transformational leadership dimensions while planning the policies for strategic implementation.

## 1.0 INTRODUCTION

Airplanes have changed the way we travel forever. As per statistics by Federal Aviation Administration, there are up to 45,000 flights and 2.9 million air travelers per day (FAA, 2020). Airplanes enable passengers to travel great distances quickly and, now, with a cheaper option generally. Definitely, there are manufacturing organizations that are in charge of making aircraft. They're known as aerospace manufacturing firms, and they're important in both commercial and private aviation. In general, with sales of \$79.9 billion for the fiscal year 2019, Airbus is rectified as the world's largest aero plane manufacturer (Admin, 2019).

In Malaysia, aerospace has been identified as one of a strategic industry in generating growth of national economic growth. The sector has created high-skilled employment and a supply chain ecosystem in the nation. Malaysia's strategic location and efficient local supply chain have helped it become a popular investment destination. In fact, the industry has contributed of RM14.4 billion to the Malaysia's Gross Domestic Product (GDP) and the industry employs 24,500 people, which has recognized it as one of

Malaysia's high-value sectors with a bright future (Admin, 2019).

Every industry sector has problems, but the aerospace industry, with its bigger international presence than any other, is understandably confronting a diverse and challenging future (Admin, 2019). The demand for aircraft is really tremendous at the moment. According to Airbus, there was a 7,184 backlog of aircraft for the company in 2020 as per figure 1;



Figure 1: Airbus Commercial Aircraft Orders and Deliveries 2020

Even though the world is still in uncertainty due to the pandemic of Covid-19, the demand is still maintained and Airbus is planning the best way to support the deliveries of the promised airliners. This has been a big responsibility for Airbus and its entire supply chain to ensure enough quantity as well as good quality of product at any time to support the industry ramp-up.

Rapid, quick, and unpredictable changes, as well as specific demands and the expectation of a high degree of personalized customer care, are the challenges of today's aerospace manufacturers. As a result, surviving, maintaining strong customer retention, and transitioning from traditional to exceptional companies is not a simple task. Many changes in attitudes, goals, work methods, and organizational management, such as agility, have been made to achieve this objective (Veisoh et al., 2014).

Bear in mind that agility has been defined as the new paradigm in based organizations. The function of leadership in that particular organization has become critical and demanding and will always be the subject and focus in order to adapt to the changes as mentioned earlier. Based on current research, the transformational leadership style has been recognized as the most prominent and influential in the organization system (MANSUR & GUOZHU, 2018). In this research, a transformational style has been selected in order to look at the effect of organizational agility in the mean company. In fact, the selected company is the pioneer in aerospace manufacturing in Malaysia, which was founded by the Malaysian government itself at the beginning of its business.

### 1.1 Background of Study

The electronic and automotive industries in Malaysia are really at a very high pace of production speed and volume. The lifecycle of the product itself is short and designed to meet the maturity level in a very short period (Ma & Kim, 2017). These factors have pushed the industry to be agile and dynamic in order to absorb the impact of product changes (Roscoe et al., 2019). As known, the product life cycle for aerospace firms is long due to its engineering complexity (Rzevski et al., 2016). Based on the product life of both industries, it is expected that aerospace manufacturing is less agile compared to the electronic/automotive sector. Less agile mean that the aircraft itself it proven to sustain for a long time of serviceable period without any major changes.

The current aerospace industry is facing a huge operating cost pressure compared to the previous decade, where the Original Equipment Manufacturer (OEM) like Airbus have proactively sought a cost-down activity by introducing state-of-the-art technology to improve the aircraft efficiency and it is tangible to the

lower operating costs (Gubisch, 2019). With that, it is important for the aerospace firms to strategize about absorbing the 'should cost' concept (Admin 2019). The 'should cost' is the cost which has short-term implications in the production process

The mentioned company in this research is not excluded from the pressure of lowering the operating costs. To sustain or to grow, the company must be an agile organizational and agility is always near to the leadership character. The main focus of this research is to study the importance of transformational leadership towards employee agility in one of Malaysia's leading aerospace manufacturing companies. Only two transformational characteristics have been considered in this research, which are idealized influence and inspiration motivation. Both were selected due to its ranking of study in the field of leadership traits.

## 2.0 LITERATURE REVIEW

### 2.1 Organizational Agility

Organizational agility refers to an organization ability to change or quickly adapt in response to market changes. In today's extremely competitive and fast-changing markets, organizational agility, generally defined as a combination of flexibility, nimbleness, and speed, is widely acknowledged as a root of competitive advantage (Singh et al., 2013). Organizations must adopt a more agile approach to survive in an ever-changing business environment. Empowering staff, taking risks, and experimenting with how work is done really should be part of this strategy. Agile companies' ultimate goal is to do all necessary to significantly contribute and employees in placing forth their best efforts. Organizational agility concentrates less on what was done in the past but more about what has to be done in the future. Figure 2 show the agility model.

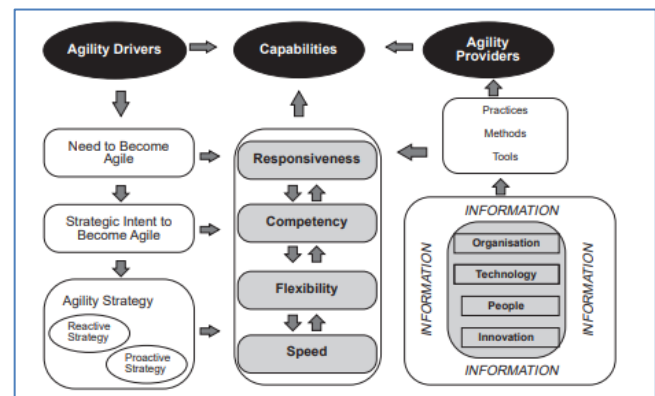


Figure 2: The conceptual model for implementing agility

### 2.2 Transformational Leadership

Transformational leadership is a management characteristic that promotes, inspires, and motivates employees to innovate and bring change in order to assist the company grow and decide its long-term success. (2018, White). This is executed through management leading by example with a powerful sense of employee ownership, corporate culture, and workplace freedom. Transformational leaders inspire and motivate their teams without need for micromanaging approach. It simply relies on skilled personnel to make decisions in their assigned roles.

Transformational leadership refers to a leadership style that influences social systems and on individuals. This leadership style promotes positive and valuable change in followers in its ideal state, with the end objective of promoting followers to leaders. Transformational leadership, if performed in its original state, catalyzes followers' morale motivation, and performance through a multiplicity of measures. As an example; connecting a follower's sense of self to the organization's mission and collective identity; inspiring followers by serving as a role model; challenging followers to take greater ownership of their work; and understanding a follower's strengths and weaknesses so the leader can assign tasks that maximize their performance.

Transformational leadership has 4 main components of characteristics which are idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Özbek & Bozkurt, 2020). In this research only two main components are considered which are idealized influence and inspirational motivation.

### 2.3 Idealized influence

The idealized influence refers to leaders who act as pure role models for their followers due to their excellent skills and high ethical behavior principles (Avolio & Gardner, 2005). Within the organization, idealized influence may be explained in terms of knowledge creation. The term idealized influence simply refers to having power over ideals (Leonard et al., 2019). This characteristic guides actions that give followers a sense of pride in being connected with the leader. It suggests that a leader will put the team interests ahead of his or her own and make personal sacrifices for the benefit of others. A transformational leader with idealized attributes evacuates authority and assurance, and can reassure others that they can overcome challenges. They frequently discuss their core principles and views, as well as the importance of mutual trust. They highlight the necessity of having a strong sense of purpose and a common mission. The leaders provide their followers with a clear mission and vision for their firm and, in return, earn a high level of trust and respect from their followers.

### 2.4 Inspirational motivation

The second element of transformational leadership is inspirational motivation, which includes individuals who talk positively about the future and express a compelling vision for that future. They speak about what has to be done, but they are certain that those objectives will be met. The leader exaggerates team spirit, enthusiasm, and optimism in their followers by engaging them in a positive vision of the future and by delivering optimum anticipation that followers want to achieve (Leonard et al., 2019). A person who employs inspiring motivation also brings back an enthralling vision of what must be considered. This sort of motivating behaviour fosters a sense of belonging and excitement, especially in the face of difficult challenges. The essential elements of transformational leadership of inspiring motivation include raising followers' awareness of the organization's goal and vision, encouraging them in all matters, and making them dedicated to the organization (Kirkbride, 2006).

### 2.5 Relationship between Transformational Leadership and Organizational Agility

It is reported that the transformational leadership style has a positive influence on organizational agility directly and then organizational creativity as a mediator influence on organizational agility. It was also reported that the transformational leadership dimension idealized influence ranked as the major influence on organizational agility (Veiseth et al., 2014). Leonard et al., 2019, reported that both idealized influence and inspirational motivation had a significant positive impact on the performance of workers in commercial and crucial state-owned businesses in Kenya and promoted organizational agility. While Khoshlahn & Ardabili, 2016, reported that the influence of organizational agility, as well as transformational leadership and its dimensions, had impacted and improved the process of service delivery in the government of the UAE.

In this research, two hypotheses have been identified to check the correlation between idealized influence and inspirational motivation with organizational agility;

1. H1 – Idealized Influence (II) has a positive influence on organizational agility.
2. H2 – Intellectual Simulation (IS) has a positive influence on organizational agility.

### 2.6 Theoretical Framework

In general, all organizations have good resilience until the resilience of the organization meets with failure. The organization may face a variety of disruptive sequences of events and the organization has the

ability to survive and continue its functions, making the organization continue to exist. The ability of an organization to survive and continue to function indicates that the organization is capable of adapting to change.

In the definition of organizational resilience used in this paper, the resilience of an organization is the adaptation to rapid environmental changes especially changes to 'situations' and contexts. In dealing with change, organizations can activate existing strategies, modify existing strategies or create / implement new strategies.

Scholars who adopt the capability perspective regard organizational resilience as a dynamic and flexible organizational capability synthesized from predictive capability, resilience capability, adaptive capability, coping capability, and learning capability demonstrated by organizations in response to crises (Duchek et al., 2020),(Ma et al., 2018)

### 2.7 Research Framework

The Theory of Constraints (TOC) developed by Goldratt has been selected as the dependable variable in this research. The fundamental method for establishing a TOC strategy entails repeating five essential phases in order to ensure continuous development, which are: identifying the system's bottlenecks, deciding how to exploit the bottlenecks, subordinating everything else to the decision in step two, elevating the system's bottlenecks, and if, in a previous step, a bottleneck has been broken, going back to step one (Goldratt & Cox, 2016).

This section will go through the variables that were used in this study, as well as the research conceptual framework (Figure 4.1). The framework explains the relationship between transformational leadership through internal and external influence factors with organizational agility at the mentioned company. The scenario refers to the latest business trend in aerospace where concept cost or cost competitiveness become the main drive in the contract between the mentioned company and its customers. This framework shows the relationship between the external determinant and internal determinant in leadership style as an independent variable (IV) with organizational agility as a dependent variable (DV), while employee empowerment is considered as a mediator that will be measured in the next section.

### 3.0 METHODOLOGY

This research is conceptual and focuses on the literature only. Thus, it will not include any experiments, hence it will be labeled as a non-experimental research study.

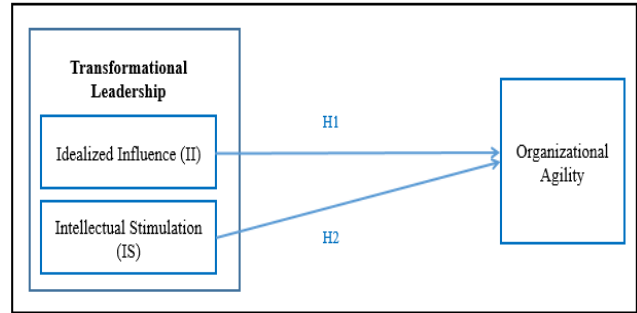


Figure 3: Research Framework

Although there is no manipulation of variables in this design, there is an interest in monitoring the phenomena and determining if there is a connection (Rutberg & Bouikidis, 2018). A quantitative method of research will be used to simulate the link between the variables. This research will use a probability sampling method and the survey is voluntary and based on availability. The unit of analysis in this research is individual, and in respect to explain the relationship between transformational leadership and organizational agility, this research assesses how people think of transformational leadership in terms of their low-level and middle-level management. The population consisted of 120 respondents, consisting of level Head of Section, Head of Department, and Head of Division. An estimated total of 120 surveys are expected to be collected by the mentioned organization. The survey data will be analyzed using the Statistical Package for Social Science (SPSS).

### 4.0 CONCLUSION

The findings will be useful to academics and researchers who want to better understand and create evidence about the relationship between leadership style and organizational agility. Due to its intangible nature, leadership has been studied and explored in a variety of sectors, and it continues to excite the curiosity of many academics and academicians. Providing proof of how a transformational leadership style boosts employee motivation and performance to academics and researchers adds to what previous leadership studies have proven regarding the vital role leaders play in a company's success. The significance of this research will determine whether the transformational leadership style will improve and enhance the working environment and ensure its sustainability and profitability. As a result, employees will be more enthused about the company's objective and vision. It is vital to be considered:

1. Leadership has aspired to share the vision and mission and clear goals with the stakeholders.



2. Leader as a role model and engages with challenges.
3. Leaders must motivate and enable others to act.
4. Leaders to be good coaches and encourage their employees to be inventive and creative.

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