

A study on the effect of transformational leadership on work motivation: A case of employees at small and medium enterprises in Vietnam

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ABSTRACT

This study examines effect of transformational leadership (TFL) on work motivation in Vietnam, through the mediating role of employee emotions (expressed by the effect of leader on employee satisfaction). This paper considers employee motivation using independent and intermediate variables characterizing individuals and organizations. In order to find relationships between the selected variables, and to evaluate the role of the mediator, a technique of Explore Factor Analysis method (EFA) is used with primary data collected from 286 among 317 employees currently working using regression models and 500 bootstrapping samples in order to quantify the role of the mediator. For the purposes of the analysis, the structural equation modelling (SEM) method was efficiency applied. The quantitative research was conducted in SMEs selected by stratification technique. In both cases the outcomes are significantly determined by employees' motivation. This practical model demonstrates an influential relationship between TFL and work motivation. The study provides proof that the relations of transformational leadership have been shown to have a direct indirect influence on employee motivation, in which the mediator is the satisfaction which has direct impact on work motivation. The results of the research show strong evidences for policy makers and enterprises for management at SMEs as well as it contributes to literature review of behavior organization. Findings also strongly show implied solutions which would support for Vietnamese SMEs to improve stable job performance.

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1. Introduction

In the fourth industrial era along with extensive global economic integration, staff is evaluated as the typical and crucial factor determining the success of an enterprise. Thus, most businesses consider human resources as an important priority. In fact, Small and Medium Enterprises (SMEs) were early aware of challenges in modern environment and adjust their strategies on human resources management. Nagy and Eriksson (2015) considered human resource management is positively correlated with the performance of employees and the success of the business, means they have been constantly innovating. All leaders and their staff may face with such challenges. Besides, one of the most important management factors concerned the changing styles of leader in any enterprise (Odumeru & Ogbonna, 2013). Thus, enterprises need not only qualified human resources, other way, these resources also have to be passionate and sacrificed for their jobs. Therefore, leaders need to encourage employees try to their best. This means the better style of leader applies, the higher employee's motivation. The business, of course, will be improved and upgraded. As shown in Fig. 1, 20% of the people faced challenges with human resources were involved in management issues of human resources. Thus, the Vietnamese SMEs must ensure business to handle challenges associated with human resources. In order to adapt new era, those enterprises need to change their method approach.

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Therefore, the capacity of leader is considered a significant factor affecting the motivation of the employees to work and dedicate to their companies. The SME community is most concerned, accounting for 97% of the total number of enterprises operating in Vietnam, has contributed up to 31% of the total budget and attracting more than 5 million labors (Vietnam General Statistics, 2019). Facing with this matter, most leaders try to overcome challenges and limitations for sustainable development. Moreover, these SMEs are encountering with problems among various industries in Vietnam's economy and facing lots of challenges suffer from fierce competition due to the recession. This problem is only solved by excellent leader which called transformational leadership.

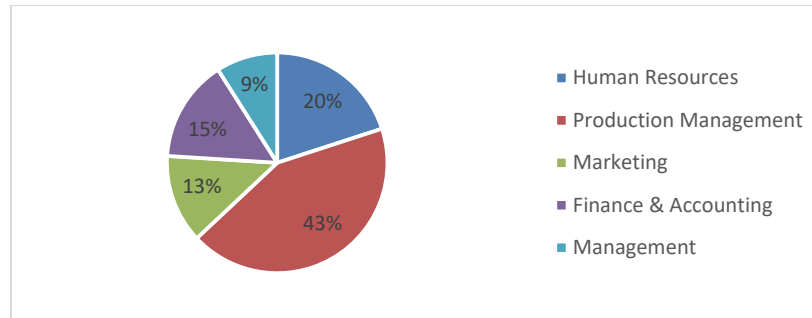


Fig. 1. Management challenges which SMEs were facing **Source:** JICA, 2019

2. Literature review and research model

2.1. Literature review

Transformational Leadership (TFL)

Transformational leadership is considered a status in which leaders encourage, inspire and motivate employees to innovate and create change for purposes promoting the enterprise develop business. This means there has the executive level through a significant sense of independence, ownership and corporate culture at work. Similar to Burns (1978), Bass and Avolio (2004), Bass et al. (2003), Bass and Riggio (2006), Rawat (2015) approved transformational leaders inspire and motivate their workforce, by empowerment, leaders trust trained employees to take authority over decisions in their assigned jobs. Offering employees more room to be creative, believe the enterprise's vision and contribute to the success of business. Common features used to describe transformational leadership concludes Idealized Influences, Individualized Consideration and Intellectual Stimulation (Fry, 2003; Allen & Robbins, 2010).

Job satisfaction (JOS)

Job satisfaction implies a person's feeling of satisfaction on the job, which seems as a motivation to work. Job satisfaction concerns the total relationship between an individual and the organization for which employees experienced. Job satisfaction shows the behaviors of employees (Aziri, 2011). Thus, satisfaction of employee is going to bring a positive emotion at workplace. In the most common sense, satisfaction of employees is considered as a good feelings which leads them to be happy and try to contribute the best to their enterprises. When employees feel satisfy, they are willing to sacrifice for devoting and developing their enterprises. As a result, their performance will be increased. Job satisfaction also increases the general performance and helps the enterprise attains reach its targets (Suong et al., 2019; Yamin, 2020).

Motivation's work (MOT)

According to Bass et al. (2003) motivation is a personal effort to achieve the highest goals. It is the positive attitude which leads to excitement and creativity at workplace. Motivation is only born from all employees' needs. So, the leaders need to understand and have sympathy with their staff, always encourage and inspire their ideas. Employees once have emotion; they are willing to devote and contribute all the best to their enterprises. Sidani (2007) concluded that there are two types of motivations which are intrinsic and extrinsic. Intrinsic motivation is created by internal rewards that a person feels when performs a job, so there is a direct and often immediate connection between work and rewards (Newstrom & Davis, 2002; Guterres et al., 2020). According to Islam and Ismail (2008) cited from Al-Malki and Juan (2018), extrinsic motivation is born from outside that occurs out of the nature of work. This type of motivation has no relationship with satisfaction while performed. Moreover, motivation is the desire and willingness of the staff to shift the effort to gain the expected objective.

The relations of transformational leadership, job satisfaction and work motivation

Regarding to the previous researches, there is a close connection between TFL and work motivation (Ahmad et al., 2014). Specifically, it has a positive impact on motivation (Gopal & Chowdhury, 2014), and transformational leadership has significant role to the success of company (Burnes, 2004; Ali & Mohammad, 2006; Huczynski & Buchanan, 2007; Munir et al., 2012 quoted by Almansour, 2012). Moreover, it was confirmed that using the TFL enhances impacts on employees' satisfaction and incentives leaders (cited from Tuan & Rajagopal, 2019). Thus, TFLs are concerned as a significant impact on the employees' motivation and satisfaction as well (Dappa et al., 2019).

2.2 Research model

Based on the frame of literature, combining practical assessments of transformational leadership impacts on employee's motivation, and quality research technique, this study has discovered that using transformation leadership would improve working environment and productivity. From the above basements, there is a very close relationship between TFL and motivation. The initial research model with a case of application at Vietnamese SMEs which reveals a model research below. From the description of research mentioned above, the author supposes four hypotheses as follows:

- H₁: There is a positive relationship between Idealized influences and Job satisfaction.
- H₂: There is a positive relationship between Intellectual stimulation and Job satisfaction.
- H₃: There is a positive relationship between Individualized consideration and Job satisfaction.
- H₄: There is a positive relationship between Job satisfaction and Motivation.

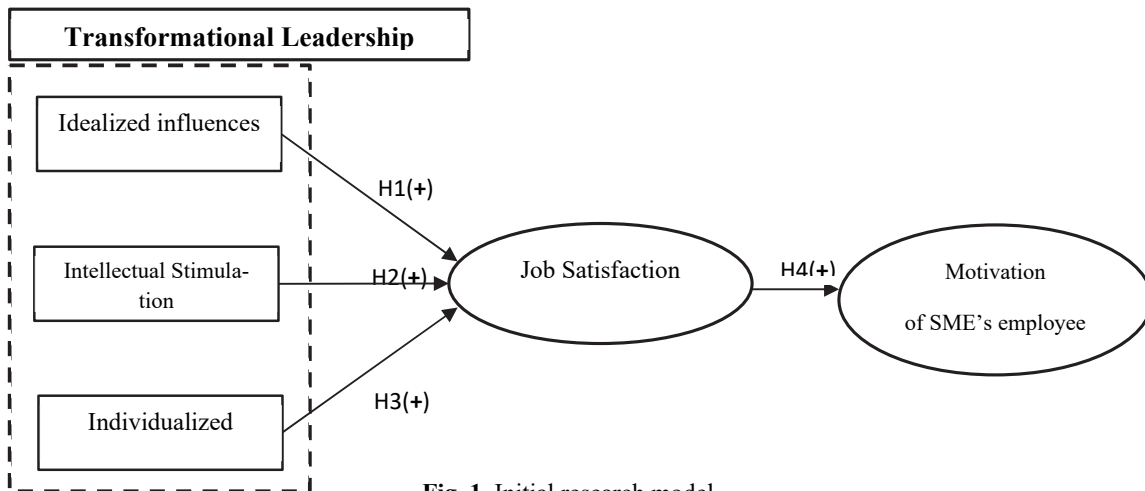


Fig. 1. Initial research model

3. Methodology of research

We use both qualitative and quantitative methods for this research. All the scales are conducted and tested as follows. (i) Qualitative research collected data by two methods, which are interviews and group discussions. The interviews were conducted with 3 leaders of enterprises in furniture and retail field (Phu Tai Furniture group – Dong Nai Factory; Vina Wood Coporation- Binh Duong and Vinmart Dong Khoi HCMC). After that, this study started the second stage, which is group discussion to collect idea from 2 groups (5 peoples and 4 peoples), who were working in furniture enterprises, as: Vinafor Saigon, Happy Furniture, Anh & Em Furniture group, Huynh Le Group, Phuonng Dong Lumber Corporation, CoopSmiles HCMC). The result of qualitative research observed variables to measure 4 scales: Idealized influence (IDI), Intellectual stimulation (INS), Individualized consideration (INC), Job Satisfaction (JOB) and Motivation (MOT). The results of qualitative research explore reliable scales for this research. To TFL items, the author administered the leader subscales of the TFL scale of Avolio & Bass (2003). For Job Satisfaction (JOS), we use scale of Bowling and Hammond (2008). For Motivation (MOT) the scale of Gruay (2006) is implemented. Reliability for scores on the single-item measure could not be estimated, but other general single-item measures have proved useful. As a deliberate challenge to the discriminant validity of our TFL measure scores, the author expected this procedure to maximize the method variance between job satisfaction and general TFL, thus providing best-case evidence about the overlap between these measures. (ii) Quantitative research was conducted by a survey with 372 employees working SMEs in Vietnam. Likert five-point scale, “1-Totally disagree”, “2-Disagree”, “3-Neutral”, “4-Agree”, “5. Totally agree”, is used to measure observed variables in each factor. The collected data would be processed and analyzed by SPSS 20.0 to assess the significance of factors as well as test the hypotheses. To ensure testing the reliability of the survey we use Cronbach’s Alpha, in order to test hypotheses, to find relationships between the selected variables, and to evaluate the role of the mediator. Moreover, this study uses EFA and CFA technique. Finally, to quantify the role of the mediator, regression models and 1,000 bootstrapping samples were used. For the purposes of the analysis, SEM method was additionally applied. It was used because of the need to analyze multivariate models containing a large number of predictors (transformational leadership with its Idealized influences, Intellectual stimulation, and Individualized consideration) and mediators (Job satisfaction). Another important consideration for using the SEM is that it outperforms the regression models as a tool for variables analysis.

4. Analysis of research results

4.1 Description of sample research

We have conducted surveys among employees working in SMEs in Vietnam with convenient techniques. In this research, we considered SMEs based on Item 1, Article 3 of the Decree 56/2009 on June 30, 2009 of Prime President (Vietnamese Enterprise Law, revised 2018). From that, Vietnamese Government clarifies SMEs by business sector, capital and number of labors.

According to Vietnam General Statistics (2019), in the period of 2012 - 2019, the number of SMEs increased sharply, with the average rate of 9.1% higher than the average growth of large enterprises of 5.8%. SMEs are dominant and essential subjects inside the Vietnamese economy. In fact, SMEs amount to about 96 percent in 2015-2019 of the total enterprises in Vietnam. However, participants were selected by convenient sampling, in 3 major regions of Vietnam, in which the author picks 3 typical areas in Vietnam concluding 8 enterprises in the North with 34 employees, 5 enterprises in the Central with 42 employees and 31 enterprises in the South with 210 employees. There were 372 questionnaires generated and collected, after sorting out invalid forms due to lack of information, the remaining 286 were valid respondents (76.9%), this data was used for the official analyze as given in Fig. 2.

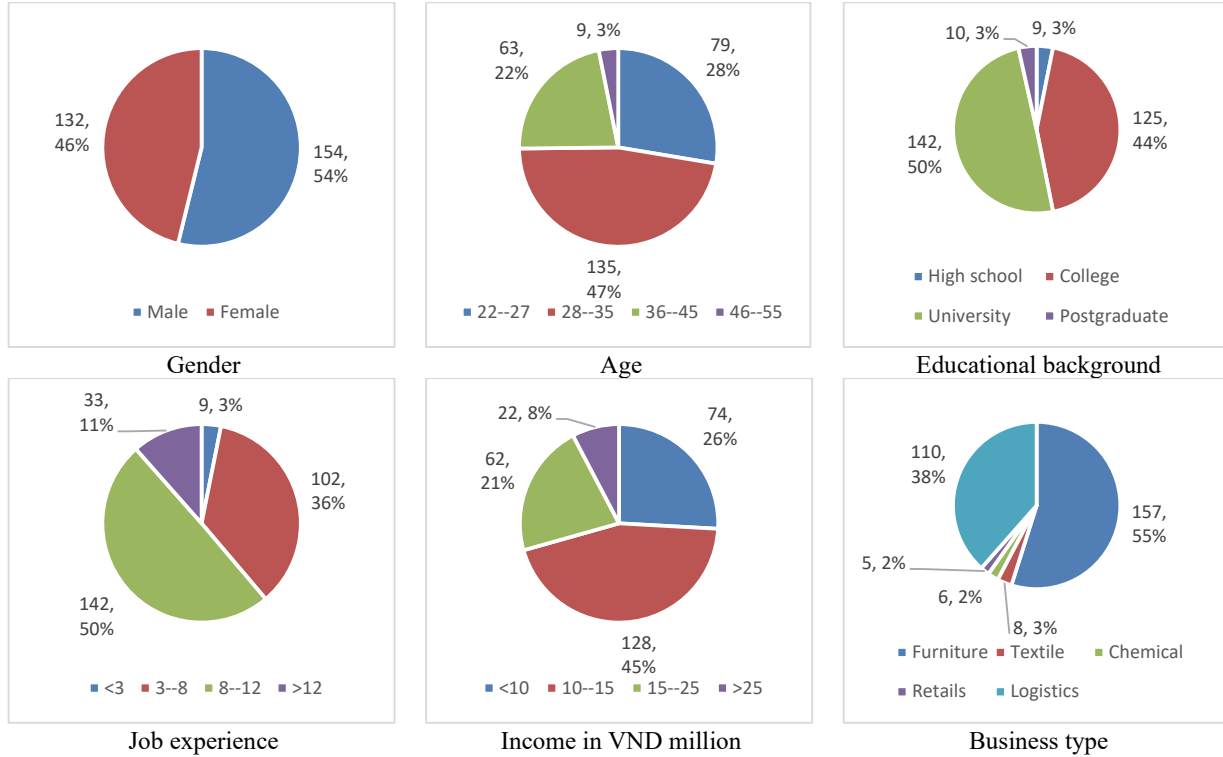


Fig. 2. Personal characteristics of the participants

4.2 Results of quantity analysis

Cronbach's Alpha

Applying Cronbach's alpha technique, all those variables yield the reliability ($\geq .80$) which are used for EFA analysis.

Table 1

Results of Cronbach's Alpha analysis

Scales	No. of items	Reliability statistics		Variance extracted	Validity
		Cronbach's Alpha	Total		
Idealised influences (IDI)	5	0.899	9.356	45.548	Accepted
Intellectual Stimulation (INS)	4	0.908	2.490	11.060	
Individualised consideration (INC)	4	0.900	1.589	6.846	
Job satisfaction (JOS)	4	0.931	1.320	5.209	
Motivation (MOT)	3	0.811	1.192	4.705	

Explore Factor Analysis

The Cronbach's alpha is conducted to assess the reliability of each scale. Alpha values average 0.8 for one dependent variable and the other four independent variables. This indicates all scales can be considered reliable (Creswell, 2002). For each of the item scales, factor analysis is used to reduce the total number of items to manageable factors. Principal components analysis is used to extract factors with eigenvalue is 1.128. Varimax rotation is used to facilitate the interpretation of the factor matrix. Sampling adequacy measurement tests are also examined via the KMO statistics to validate the use of factor analysis. The composition of independent variable scales has sig. equals 0.000 and KMO equals 0.743, the variables converge to 4 differentiating factors such as the original hypothesis and the total deviation of 0.67602 for the deduction of 67.602%. Measurement variables with weighting factors of variables are greater than 0.5. The results of EFA analysis explores 4 factors that have a significant and reliability explaining 67.602%, and eigenvalue at 1.128. To assure whether measures of a construct are consistent with a researcher's understanding of the nature of the construct, CFA is a suitable to conduct in this research.

CFA model result

The results of CFA analysis strongly recognize that $GFI = 0.912$, $TLI = 0.968 > 0.9$, $CFI = 0.973 > 0.9$ and $RMSEA = 0.054 < 0.08$ are all suitable. Chi - squared is 289.928 with $df = 158$, $P = 0.000$. $Cmin / df = 1.853 < 5$ meet the requirement for compatibility.

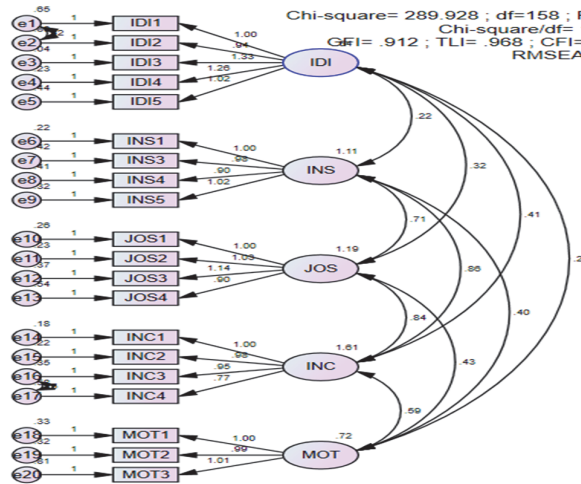


Fig. 2. The result of CFA model

Other indexes: Convergent validity, Discriminant validity, Unidimensionality, Reliability attain statistical significance. In order to analyze the structural relationship between measured variables and latent constructs, this research conducts SEM technique to test the impact of transformational leadership on motivation of employees at SMEs in Vietnam, the results in Table 3 and Fig. 3 are as follows:

Table 2

The results of testing the relationship among the concepts (Standardized)

Relationships	Estimation	SE	CR	P-value	Conclusion
JOS ← INI	1.108	.112	9.905	.000	H1 is accepted
JOS ← INS	1.192	.121	9.818	.000	H2 is accepted
JOS ← INC	1.612	.151	10.669	.000	H3 is accepted
MOT ← JOS	.718	.092	7.804	.000	H4 is accepted

The results show that the relationships are statistically significant.

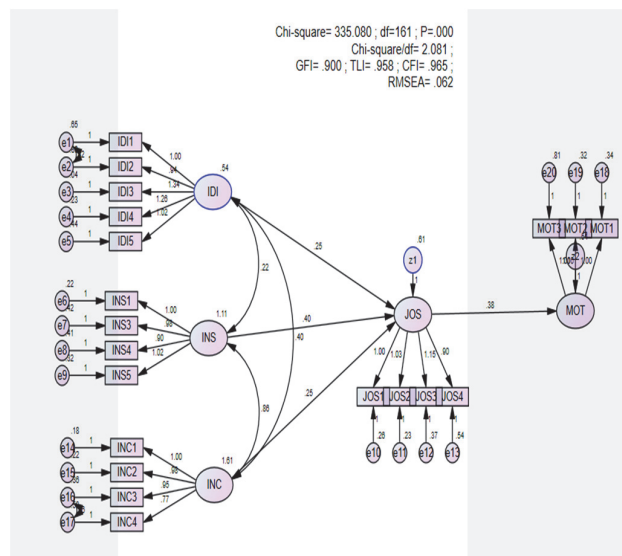


Fig. 3. SEM results for the standardized model

Thus, all hypotheses are accepted. In addition, the relationships have positive correlation (standardized coefficient > 0). The study results are quite different from the above mentioned research, however, motivation of employees were the most common responses to job satisfaction, followed by creativity and innovation. SEM results for the standardized model below

Estimate the model of research by Bootstrap

The research uses bootstrap with the sample N = 500. Thanks to this technique that allows estimation of the sampling distribution of almost any statistic using random sampling methods. The following result clarifies for this matter.

Table 4
Results of estimation

	Parameter	SE	SE-SE	Mean	Bias	SE-Bias
JOS	← INI	0.097	0.003	0.238	-0.008	0.004
JOS	← INS	0.086	0.003	0.400	-0.001	0.004
JOS	← INC	0.073	0.002	0.252	0.002	0.003
MOT	← JOS	0.057	0.002	0.371	-0.006	0.003

5. Discussion

The research model confirms relationship between TFL and motivation. TFL is an original factor which creates motivation through incentive and shift employees to try their best for both themselves and their companies. Applying TFL, leaders recognized it helps them easily motivate their subordinates to achieve the target of companies. Moreover, the leader knows how to use this leader style in order to help their staff be happy and eager to gain full message which leader need to transfer from the companies' vision and mission. Thus, TFL will strengthen the dedication of the employees which aims to develop the competitive advantage for SMEs. The leaders also have responsibility to create the enterprise's values, to achieve effectively in the competitive environment and to promote sustainably. The results have shown that there were no differences among employees' motivation concerning of demographic feature. However, in reality, SMEs still consider this issue for matching employees' need. In addition, we have tried to offer personnel policies which help leaders encourage their staff to create intrinsic motivation. To achieve these goals, SMEs should focus on both the role of leaders and employees toward contributing the success of the enterprise. For Vietnamese SMEs, most of them are individual or family-owned businesses, so the administration is mostly from family members may not be able to attract good managers if they cannot get out family executive type. Most SME executives do not have management knowledge and skills needed to manage large businesses. So, SMEs as they grow bigger, the transition to public joint stock companies and the need to have policies to attract specialized managers are needed. Currently, the concept of SMEs is defined in Decree No.39/2018 by Prime Minister detailing a number of articles of the Law on Support for Small and Medium-sized Enterprises, which may contain defined criteria such as enterprise size: fields, number of employees, revenue and capital. Employees are presently not yet fully capable of developing skills, partly because of the shortage of leaders and lack of skill development know-how. Many SMEs are struggling with the recruitment of new employees and their stable commitment to their jobs. There are cases of enterprises which TFLs remember assessing employment's behavior several times a year because of decreasing employee turnover rate. Thanks to applying TFL, working environment has improved. However, it is necessary for enterprises operating in implement a range of measures designed to improve wages and the skill level and commitment of work of employees by means of providing training opportunities as well as actual skill training in view of the fact that many employment opportunities in sectors other than manufacturing have been created in these areas.

6. Conclusion

The research model has confirmed the relationship between transformational leadership and job satisfaction, which affects to motivation of employees working in SMEs in Vietnam. The results also have confirmed that employees will have the highest motivation level when working under transformational leadership from their leaders. It makes employees work more efficiently and lead them more commit and loyalty to their companies. Besides, the research has proposed some management suggestions which could improve employee's motivation through the transformational leadership by inspiring vision and bringing the advantages to employees, encouraging them to work better, and achieving higher performance. Moreover, leaders should accompany and encounter to figure out conflicts of employees. This will make employees appreciate their leaders, motivate themselves perform their tasks with high performance. Especially, the leaders must first be confident with their own abilities and trust on enterprise's strategies, so that employees would be inspired and made them more believe on enterprise. Last but not least, leaders should regularly find out the needs, aspirations and expectations of employees, based on that having staffing, training and development as well as creating intrinsic motivation for employees. SMEs must see the positive effects of their contributions to the overall objectives in order to enhance more intrinsic motivation and performance stably. However, this study only considered the impact of transformational leadership on job satisfaction toward motivation without considering other factors or mediators. Additionally, this study focused on considering the impact of transformational leadership without considering other leadership styles. Finally, this study has used a convenient sampling method that also has a certain limitation.

The generalization of research results would be more convince if it is performed by random sampling.

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