The Impact of Transformational Leadership and Organizational Culture on Employee Performance: A Study of a Selected Company in Malaysia

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ABSTRACT:

Employee performance is a central determinant of organizational productivity, service quality, and competitiveness, particularly in the fast-changing Malaysian business environment. This paper examines how transformational leadership and organizational culture are theorized and empirically associated with employee performance, and it develops a research framework and testable hypotheses for a survey-based investigation in a selected Malaysian company. Drawing on transformational leadership theory (Bass, 1985; Bass & Riggio, 2006), Schein's model of organizational culture (Schein & Schein, 2017), and social exchange theory (Cropanzano & Mitchell, 2005), the study positions transformational leadership and organizational culture as independent variables and employee performance as the dependent variable. A systematic review of Malaysian and international empirical studies indicates consistent positive associations between transformational leadership behaviors, particularly idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, and employee performance outcomes, as well as between supportive organizational cultures and higher performance. The paper details a quantitative, cross-sectional survey design using validated instruments (the Multifactor Leadership Questionnaire, the Organizational Culture Assessment Instrument, and the Individual Work Performance Questionnaire), a Krejcie and Morgan-based sample-size procedure, and a planned analytical strategy combining descriptive statistics, Pearson correlation, and multiple regression. Four hypotheses are proposed linking transformational leadership and organizational culture, individually and jointly, to employee performance. The paper concludes with theoretical and managerial implications, arguing that Malaysian organizations seeking to improve workforce productivity should invest jointly in leadership development and culture-building initiatives rather than treating them as separate interventions. Limitations of single-organization, cross-sectional designs and directions for future longitudinal and multi-sector research are discussed.

Keywords: Transformational Leadership, Organizational Culture, Employee Performance, Malaysia, Human Resource Management.

INTRODUCTION

Organizations operating in the twenty-first century face continuous pressure to improve efficiency, adapt to technological disruption, and sustain competitive advantage in increasingly globalized markets. Among the resources available to organizations, human capital remains the most decisive, since employees translate strategy into operational outcomes, interact directly with customers, and drive innovation (Hartnell et al., 2011). Consequently, understanding the organizational conditions that enable or constrain employee performance has become a persistent concern for both management researchers and practitioners.

Employee performance is generally understood as the degree to which an individual carries out the tasks and responsibilities assigned to their role, encompassing task performance, contextual performance, and, where relevant, the avoidance of counterproductive work behavior (Campbell, 1990; Borman & Motowidlo, 1993). Performance is not solely a function of individual ability or motivation; it is also shaped by the organizational context in which work is performed, including the behavior of supervisors and the values embedded in organizational life (Judge & Piccolo, 2004).

Two contextual factors have received particular attention in the management literature as antecedents of employee performance: leadership style and organizational culture. Transformational leadership, first conceptualized by Burns (1978) and subsequently refined into a measurable construct by Bass (1985) and Bass and Riggio (2006), describes leaders who inspire followers through idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Meta-analytic evidence across twenty-five years of research confirms that transformational leadership is positively related to individual, team, and organizational performance outcomes across a wide range of industries and cultural settings (Wang et al., 2011; Judge & Piccolo, 2004).

Organizational culture, meanwhile, refers to the shared values, assumptions, and norms that guide how members of an organization interpret events and behave (Schein & Schein, 2017). A substantial body of research links particular culture types, especially those emphasizing flexibility, employee involvement, and clear goal orientation, to higher organizational effectiveness and individual performance (Denison & Mishra, 1995; Hartnell et al., 2011; Cameron & Quinn, 2011).

In the Malaysian context, where organizations operate amid ethnic and cultural diversity, rapid digitalization, and intensifying regional competition, both constructs carry practical urgency. Recent Malaysian studies have examined transformational leadership in hospitality (Teoh et al., 2022) and the public sector (Ahmad et al., 2020), and organizational culture in utilities (Mohd Said et al., 2022), manufacturing and services (Aanathan et al., 2024), higher education (Salleh, 2025), and the oil and gas sector (Lim et al., 2025). However, comparatively few studies examine transformational leadership and organizational culture simultaneously within a single Malaysian organization to assess their relative and combined contribution to employee performance. This paper addresses that gap by developing an integrated conceptual framework, reviewing the relevant empirical literature, and specifying a rigorous quantitative methodology for testing the proposed relationships in a selected Malaysian company.

Background of the Study

Malaysia's economic transformation, driven by digitalization, foreign direct investment, and participation in regional and global value chains, has intensified the demands placed on organizations to remain agile and competitive (Zainuddin, 2024). Employees today are expected to demonstrate not only technical competence but also adaptability, initiative, and collaborative problem-solving. Traditional supervisory approaches, which emphasize control and compliance, are increasingly viewed as insufficient for cultivating the discretionary effort that underpins high performance (Bass, 1999).

Transformational leadership offers an alternative approach in which leaders articulate a compelling vision, model ethical behavior, stimulate critical thinking, and attend to the individual developmental needs of employees (Avolio & Bass, 2004). Complementing leadership behavior, organizational culture establishes the norms, communication patterns, and shared expectations within which employees carry out their roles (O'Reilly et al., 1991). Where leadership and culture are aligned and mutually reinforcing, organizations are theorized to generate stronger employee commitment and, ultimately, superior performance (Zhu et al., 2005; García-Morales et al., 2012).

Problem Statement

Despite substantial organizational investment in recruitment, training, and compensation systems, employee performance outcomes in many Malaysian organizations remain uneven, suggesting that structural human

resource interventions alone are not sufficient to drive for performance improvement (Zainuddin, 2024).

Two underexamined contextual explanations merit closer investigation. First, leadership practice within organizations may not consistently reflect transformational behaviors. Leaders who fail to communicate a clear vision, provide individualized support, or recognize employee contributions may struggle to elicit performance beyond minimum contractual obligations (Ahmad et al., 2020). Second, organizational culture, if characterized by weak communication, limited employee involvement, or resistance to innovation, may constrain employee performance regardless of individual capability (Mohd Said et al., 2022; Aanathan et al., 2024).

Existing Malaysian research has tended to examine transformational leadership and organizational culture in isolation, and often within specific sectors such as hospitality, utilities, or manufacturing (Teoh et al., 2022; Mohd Said et al., 2022; Aanathan et al., 2024). Consequently, there is limited contextual evidence on the relative and joint contribution of these two factors within a single organizational setting. This study addresses that gap by simultaneously examining transformational leadership and organizational culture as predictors of employee performance in a selected Malaysian company, thereby providing management with an integrated, rather than fragmented, understanding of the levers available to improve workforce performance.

1.3 Research Objectives

The objectives of this study are:

1. To determine the levels of transformational leadership, organizational culture, and employee performance among employees of the selected company.

2. To examine the relationship between transformational leadership and employee performance.

3. To examine the relationship between organizational culture and employee performance.

4. To determine the combined influence of transformational leadership and organizational culture on employee performance.

1.4 Research Questions

The conceptual paper is guided by the following questions:

RQ1. What are the levels of transformational leadership, organizational culture, and employee performance among employees of the selected company?

RQ2. Is there a significant relationship between transformational leadership and employee performance?

RQ3. Is there a significant relationship between organizational culture and employee performance?

RQ4. Do transformational leadership and organizational culture significantly influence employee performance, individually and jointly?

1.5 Research Hypotheses

The following propositions are developed from the literature reviewed in this paper:

H1: Transformational leadership is significantly and positively related to employee performance.

H2: Organizational culture is significantly and positively related to employee performance.

H3: Transformational leadership significantly influences employee performance.

H4: Organizational culture significantly influences employee performance.

1.6 Significance of the Study

The study is expected to contribute in four ways. For management, it offers evidence-based guidance on leadership behaviors associated with stronger performance outcomes. For organizational development practice, it clarifies which cultural attributes, communication, involvement, and shared values, warrant reinforcement. For employees, it provides a clearer account of how leadership and culture shape their working conditions. For the academic community, it extends the limited body of Malaysian research that examines transformational leadership and organizational culture concurrently within a single organizational context, adding to a growing regional literature (Teoh et al., 2022; Aanathan et al., 2024; Lim et al., 2025).

1.7 Scope of the Study

The study is confined to employees of a single selected Malaysian company and adopts a cross-sectional, quantitative design using self-report questionnaires. Findings are therefore context-specific and should not be generalized beyond the sampled organization without further replication. Common-method variance and social desirability bias are acknowledged risks of single-source, self-report data collection (Podsakoff et al., 2003) and are addressed through the procedural safeguards described in Section 3.

LITERATURE REVIEW

2.1 Transformational Leadership

Transformational leadership describes a leadership style in which leaders motivate followers to transcend self-interest for the benefit of the collective, by articulating an inspiring vision, modeling ethical conduct, and attending to followers' individual growth (Burns, 1978; Bass, 1985). Bass and Riggio (2006) operationalized the construct through four dimensions, commonly known as the "Four I's":

1. Idealized influence: leaders act as role models, demonstrating integrity, confidence, and ethical conduct that earn followers' trust and respect.

2. Inspirational motivation: leaders articulate an appealing vision and communicate high expectations, generating enthusiasm and optimism among followers.

3. Intellectual stimulation: leaders encourage followers to question assumptions, reframe problems, and approach challenges creatively.

4. Individualized consideration: leaders attend to followers' individual needs for achievement and growth, acting as mentors or coaches.

These dimensions are most commonly measured using the Multifactor Leadership Questionnaire (MLQ), developed and validated by Bass and Avolio (Avolio & Bass, 2004), which remains the dominant instrument in transformational leadership research (Podsakoff et al., 1990; Bono & Judge, 2004). In the Malaysian hospitality sector, Teoh et al. (2022) applied all four dimensions and found each to be positively associated with employee performance, providing direct empirical support for the construct's applicability within Malaysian organizational settings.

2.2 Organizational Culture

Organizational culture refers to the pattern of shared basic assumptions that a group has learned as it solves problems of external adaptation and internal integration, which are then taught to new members as the correct way to perceive, think, and feel (Schein & Schein, 2017). Schein's model conceptualizes culture at three

interdependent levels:

1. Artifacts: visible structures, processes, and observable behaviors, including office layout, dress norms, and communication style.

2. Espoused beliefs and values: the strategies, goals, and philosophies that an organization formally articulates, such as commitments to teamwork, integrity, or customer orientation.

3. Basic underlying assumptions: unconscious, taken-for-granted beliefs that determine how members perceive and react to situations.

An alternative and widely used operationalization is Cameron and Quinn's (2011) Competing Values Framework, which classifies organizational culture into four types: clan, adhocracy, market, and hierarchy, measured through the Organizational Culture Assessment Instrument (OCAI). Denison and Mishra (1995) similarly linked culture traits, involvement, consistency, adaptability, and mission, to organizational effectiveness, while a meta-analysis by Hartnell et al. (2011), synthesizing 84 empirical studies and 94 independent samples, confirmed that clan and adhocracy-type cultures are positively associated with employee attitudes and performance, whereas hierarchy cultures show weaker or more mixed associations.

In the Malaysian context, Mohd Said et al. (2022) found that employee participation, communication openness, and reward systems in the utilities sector were positively associated with employee performance. More recent studies extend this evidence to manufacturing (Aanathan et al., 2024), public universities (Salleh, 2025), and the oil and gas sector, where culture and organizational commitment jointly predict performance through employee engagement (Lim et al., 2025).

2.3 Employee Performance

Employee performance is a multidimensional construct encompassing task performance (the proficient execution of core job duties), contextual performance (discretionary behaviors that support the broader organizational and social environment), and, in its negative form, counterproductive work behavior (Campbell, 1990; Borman & Motowidlo, 1993). Commonly 8 assessed dimensions include work quality, quantity, timeliness, efficiency, responsibility, cooperation, and commitment. A widely validated measurement instrument is the Individual Work Performance Questionnaire (IWPQ), which operationalizes performance across task, contextual, and counterproductive behavior dimensions (Koopmans et al., 2014).

2.4 Underpinning Theories

Transformational Leadership Theory. Bass and Riggio (2006) argue that transformational leaders enhance follower performance by elevating awareness of the importance and value of designated outcomes, encouraging followers to transcend self-interest, and altering followers' need levels on Maslow's hierarchy. This theoretical mechanism explains why transformational leadership is expected to be positively associated with employee performance in this study.

Schein's Organizational Culture Theory. Schein's framework explains how culture forms through repeated collective problem-solving experiences that become embedded as shared assumptions (Schein & Schein, 2017). A supportive culture, characterized by open communication, trust, and shared values, is theorized to reduce ambiguity and facilitate coordinated effort, thereby enhancing performance.

Social Exchange Theory. Social Exchange Theory (SET) posits that workplace relationships develop through reciprocal exchanges, wherein favorable treatment obliges recipients to reciprocate with positive attitudes and behavior (Blau, 1964; Cropanzano & Mitchell, 2005). Employees who perceive genuine support, fairness, and individualized attention from transformational leaders, and who experience a culture of trust and involvement, are theorized to reciprocate through higher discretionary effort and stronger task performance.

2.5 Transformational Leadership and Employee Performance

A substantial body of empirical evidence supports a positive relationship between transformational leadership and employee performance. Judge and Piccolo's (2004) meta-analysis of 87 samples found transformational leadership to be more strongly related to follower job satisfaction, leader effectiveness, and group or organizational performance than transactional leadership. Wang et al. (2011), synthesizing 25 years of research across 113 independent samples, confirmed that transformational leadership is positively associated with performance at the individual, team, and organizational levels, with somewhat stronger effects for contextual than task performance. Within Malaysia, Ahmad et al. (2020) examined transformational leadership and employee performance among 286 public-sector employees using Partial Least Squares Structural Equation Modelling and found a statistically significant positive relationship. Teoh et al. (2022) similarly confirmed positive associations between all four transformational leadership dimensions and employee performance in the hospitality sector. These findings support the proposed hypothesis (H1/H3) that transformational leadership is positively related to, and predictive of, employee performance in the present study's organizational setting.

2.6 Organizational Culture and Employee Performance

Organizational culture research similarly demonstrates consistent, if somewhat more variable, associations with performance outcomes. Hartnell et al.'s (2011) meta-analytic evidence indicates that clan cultures, emphasizing collaboration and employee involvement, and adhocracy cultures, emphasizing innovation and adaptability, are positively associated with employee attitudinal and performance outcomes. Denison and Mishra (1995) similarly found that involvement and adaptability traits were significant predictors of organizational effectiveness across diverse firms.

Malaysian evidence reinforces these patterns. Mohd Said et al. (2022) reported that participative and communicative cultural practices were positively related to performance in the utilities sector. Aanathan et al. (2024) found organizational culture significantly predicted job performance among manufacturing employees in western Peninsular Malaysia, and Salleh (2025) reported that clan, adhocracy, market, and hierarchy culture types were each positively linked to employee performance in a Malaysian public university setting. These findings collectively support the proposed hypothesis (H2/H4) that organizational culture is positively related to, and predictive of, employee performance.

2.7 Joint Contribution of Transformational Leadership and Organizational Culture

Fewer studies examine transformational leadership and organizational culture concurrently, though the available evidence suggests the two constructs may be complementary rather than competing predictors. Zhu et al. (2005) found that CEO transformational leadership influenced organizational outcomes partly through its effect on human-resource-enhancing practices, which are themselves embedded in organizational culture. García-Morales et al. (2012) demonstrated that transformational leadership influences organizational performance both directly and indirectly through organizational learning and innovation, both of which are culturally embedded processes. Most recently, Lim et al. (2025) found that in Malaysia's oil 10 and gas sector, sustainable leadership and organizational culture jointly predicted employee performance through the mediating mechanism of employee engagement, underscoring the theoretical and practical value of examining leadership and culture together rather than in isolation. This literature supports the present study's integrated framework, in which transformational leadership and organizational culture are modeled as simultaneous, complementary predictors of employee performance.

CONCEPTUAL FRAMEWORK

Based on the reviewed literature and underpinning theories, this study proposes the following conceptual framework, in which transformational leadership and organizational culture serve as independent variables and employee performance serves as the dependent variable.

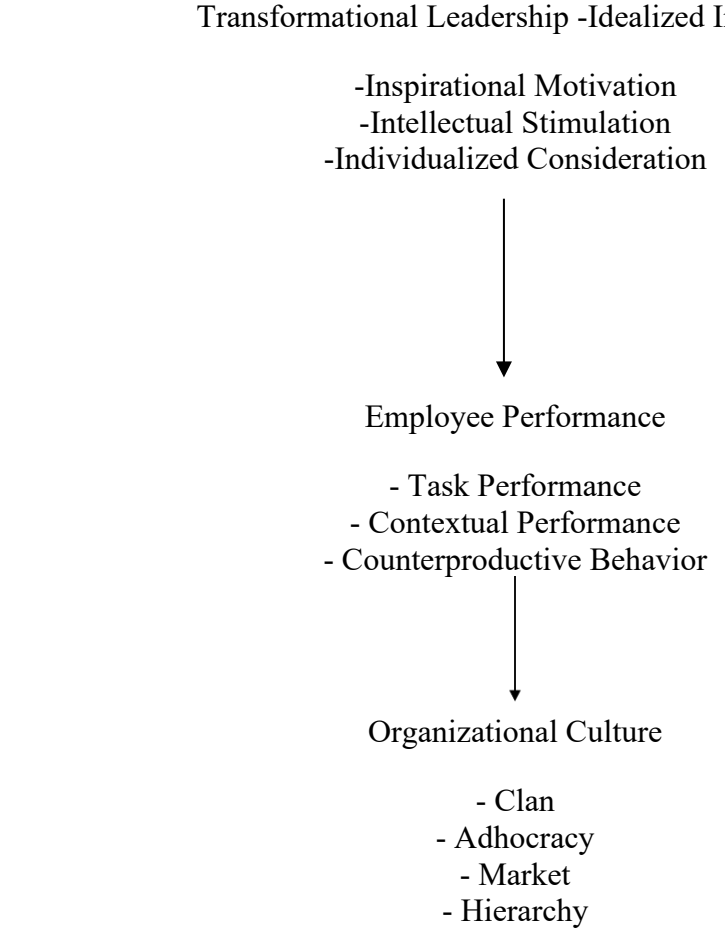
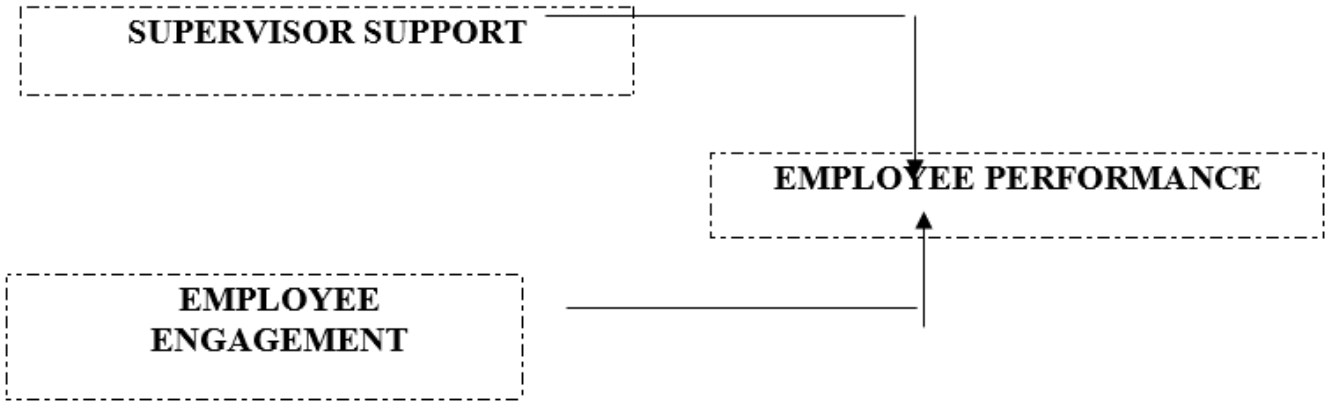


Figure 1. Conceptual framework of the study.

Table 1 Summary of Key Empirical Studies Underpinning the Conceptual Framework Study Context Key Variables Key Finding

Author(s)/Year	Country/Sector	Variables/Focus	Major Findings
Judge & Piccolo (2004)	Meta-analysis, 87 samples	Transformational leadership, performance	TL positively predicts performance; stronger than transactional leadership
Wang et al. (2011)	Meta-analysis, 113 samples	Transformational leadership, multilevel performance	Positive effects across individual, team, organizational levels
Hartnell et al. (2011)	Meta-analysis, 84 studies	Culture types, effectiveness	Clan and adhocracy cultures positively linked to performance
Ahmad et al. (2020)	Malaysia, public sector	Transformational leadership, performance	Significant positive relationship (PLS-SEM)
Teoh et al. (2022)	Malaysia, hospitality	Four TL dimensions, performance	All dimensions positively related to performance
Mohd Said et al. (2022)	Malaysia, utilities	Culture (participation, communication, rewards), performance	Significant positive relationship
Aanathan et al. (2024)	Malaysia, manufacturing	Organizational culture, job performance	Significant positive relationship
Salleh (2025)	Malaysia, public university	Four culture types, performance	All culture types positively linked to performance
Lim et al. (2025)	Malaysia, oil and gas	Leadership, culture, engagement, performance	Joint effects via engagement mediation

Figure 1. Proposed Conceptual Framework



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