

IMPACT ON EMPLOYEES' GOOD GOVERNANCE CHARACTERISTICS, THE ROLE OF TRANSFORMATIONAL LEADERSHIP AS DETERMINANT FACTOR

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Abstract: In today's high expectation and more educated civil society especially who live in the urban area, the effective service delivery system is important to be performed by the public sector organizations through good governance. In human resource perspective, the employees are considered to be the source of good governance success. They are the front-line to realize the successful government service delivered to the public. However, their failures to meet the public needs and expectation lead to various negative complaints given by the public. Indirectly, this scenario indicates poor governance practiced within the public sector organizations. Hence, it is very important for public sector organizations to promote and acculturate the good governance among their employees in order to stay competent of the services delivered. Transformational leadership is found as possible leadership style determinant which is influential in guiding and developing good governance practiced by the employees. The purpose of this paper is to analyze the links between transformational leadership style and employees' good governance characteristics. This analysis is significant to strengthen the governance of Malaysian local government authorities (LGAs). It reviews the past studies on the mentioned variables and provides some clarification to the nature of relationship existing between them which become applicable references for the study in public sector context.

Keywords: Transformational Leadership, Good Governance, Public Sector and Local Government Authorities.

1. INTRODUCTION

In increasingly public expectation and more educated societies, Malaysian public sector organizations recognize that they have to improve and strengthen the values of good governance regularly in order to perform their excellent service delivery for a long period of time (Mohd Sidek, 2007; Siddiquee, 2009). Currently, good governance play a vital role in the formation of public confidence and trust on public sector organizations and viewed as the main principle that attracts private sector investments for the intense economic growth in the country (Badawi, 2005; Rachagan, 2010). Thus, the needs to the valuable elements of good

governance to be disclosed in daily work practices of every public sector employee is of significant importance (MohdSidek, 2007). These valuable elements of good governance characteristics such as transparency, accountability, efficiency and effectiveness, rule of law, commitment and integrity are able to improve the employees' behaviours towards well performed public sector organizations (MuhamadNizam, 2009).

It has been discovered that accountable employees leads to the knowledge sharing and transfer within the organization (Mouritsen, Larsen, & Bukh, 2001). It is important to develop knowledgeable human capital who able to conduct the job in line to the organizational goal attainment. Specifically, it gives the meaning that accountability makes individual employee feels not to do the job for his/her personal interest even, he/she is responsible to share and need to justify of what he/she owns and achieves with others for mutual benefits. Besides, the characteristics of efficiency and effectiveness have obviously contributed to the quality of service (Gilbert & Parhizgari, 2000). It indicates the capability of employee to deliver the service through the use of optimum level of organizational resources and meet the standard as targeted (Phang, 2008; Rodsutti & Swierczek, 2002). Importantly, both efficiency and effectiveness are able to improve delayed service and eventually fighting corruption mainly in public service working environment (The New Straits Times, 5 July, 2012; U Myint, 2000). Thus, based on those operational mechanisms of good governance characteristics that make the organization successful, it becomes necessary to understand how these characteristics can be established and enhanced. In relation to that, it is to be aware that instead of focusing to the consequences of good governance, identification of antecedents of good governance should be highly concerned mainly in the system of public sector governance (McLellan, 2009) particularly when the governance performance of public sector employees is seen less satisfied (Siddiquee, 2008).

Recently, poor governance of public sector is related to ineffectiveness and inefficiency of service delivery which is indicated by various complaints such as abuse of power, slow action and unethical behaviors among the employees made by the public (Public Complaint Bureau (PCB), 2012). Besides, lack of characteristics such as transparency, accountability and integrity lead to corruption incidence (U Myint, 2000) that famously occurred among the public sector employees (Malaysian Anti Corruption Commission [MACC], 2012). Obviously, these problems happened in the local government authorities as frequently reported in electronic media and newspapers (Maria, 2008). For example, in 2010-2012, the

PCB received more than 2500 of local council complaint which is among the highest of the complaint category (PCB, 2013). Lee (2008), Phang (2008) and Siddiquee (2010) identified that the types of complaint made to the LGAs' employees are poor planning, too much delay in official approval, abuse of power and failure of enforcement. Apart of that, the corruption cases occurred in LGAs made the government and other societies giving serious concerns by determining the causes and strategies to fight this problem (Government Transformation Program (GTP) Roadmap, 2010; Utusan Malaysia, 1 March, 2012).

Past studies have discussed about the governance problems in LGAs and one of the existed problems identified is old style leadership practiced in these agencies (Kamaruddin et al., 2012). Relatively, Indrianawati (2010) found that leadership has significant effect on good governance. Another study has mentioned that governance of the accountability in LGAs can be fostered through good leadership (Danilah&Siti, 2011). Therefore, based on the problems and importance of both variables, this paper aims to analyze the literature on leadership especially transformational leadership style and assess its relationship with good governance. Moreover, the contributions of transformational leadership to good governance still unclear since little study evaluates on this relationship mainly when they involve the multiple dimensions of good governance area. The outcomes of this paper will provide some guidelines and suggestion for future study and practice as well that would benefit LGAs.

2. Good Governance

In public sector, the concept of governance is still new and has just received a concerns and recognition from communities which needs a literature discussion continuously (Ryan & Purcell, 2004). However, serious actions and efforts have been taken by various parties like government, academician and professional to realize and strengthen the public sector governance especially through the practice of good governance (Ryan & Ng, 2000). The strong public sector governance is needed because it ensures the success of service delivery system by the public sector organizations (George, 2005). Thus, to be successful, it is found that the concept of public sector governance is more focus to the development of principles or characteristics for good governance (Engku Ismail, 2010). Good governance is defined as the effective, honest, equitable, transparent and accountable exercise of power by all levels of the government (Institute of Governance [IOG], 1999). Meaning that there are valuable characteristics employed in good governance which they can be judged to indicate the

success or failure of public sector governance in influencing the performance of public service.

Relatively, the World Bank (1992) has identified four characteristics of good governance which are public sector management, accountability, legal framework for development, and transparency and information. Consistently, Asian Development Bank (ADB) (1995) also identified transparency and accountability besides, adding predictability and participation as other characteristics of good governance. Other than that, Australian National Audit Office (ANAO) (2003) has identified specific characteristics of good governance for public sector which are authority, accountability, stewardship, directing and controlling. However, for the Malaysian public sector particularly the LGAs, the appropriate characteristics of good governance are suggested as proposed by the United Nations Development Program (UNDP) that are participation, rules of law, transparency, accountability, strategic vision, consensus oriented, equity, effective and efficient (Ahmad Atory, 2007). The constant practices of these characteristics are important because they are the principles for dynamic local governance that able to deliver transparent information to public, accountable for the decisions taken that affect public, involve participation of stakeholders for decision making process and comply to the rules of law when exercising the power. Indirectly, these practices will be able to generalize to other public sector organizations' good governance in this country.

Basically, there are forty dimensions that represent characteristics of good governance have been discovered including commitment which most of them are applicable for strengthening of public sector governance (Ruhanen et al., 2010). They found that transparency, accountability, effectiveness and efficiency are very famous characteristics for good governance that have been examined from the past studies. Obviously, it can be related to the high degree of importance of these characteristics as well as the major indication variables played by them in representing good governance. However, for the purpose of service delivery improvement and corruption eradication of the employees in the public sector organizations like LGAs as discussed above, it is understood that those famous characteristics including commitment as well have to be prioritized as the practices of employees for good governance that can be studied on their relationships with leadership style as the antecedent. Thus, this article emphasizes the analysis and discussion on the effect of leadership style on the characteristics of good governance performed by the employees.

3. Good Governance in the Perspective of Employees

Previously, there is lack of study that examines the area of good governance in the context of individual since the concept of good governance itself has been explained and discussed famously in the context of organization such as above explanation and also in many other studies (Azmi Zam, Hamzah & Habibah, 2010; Haikio, 2007; Rasia, 2009; Shiplay & Kovaks, 2007; Siddique, 2008). However, it is revealed that the roles of employees are essential and become the main element and the actual indicator that represent the performance and achievement of organization (Edgar & Geare, 2005). Thus, in the area of good governance, the direct impact on the criteria of action, practice, attitude and behaviour of the employees have to be explored in identifying more specific about good governance performed by the employees. In consequent, there will be easier, more direct and more accurate for the researchers to share the actual occurrence of employees' good governance in organization and also to recommend for the significant improvement of good governance to be performed by the employees.

Relatively, in the context of individual, good governance is also related to the staff or employees empowerment (Anuar Zaini, 2000; Zulkarnain, 2000) which the empowered employees take the responsibility for their own development and performance by practicing the characteristics of good governance within an enabling framework provided by the organization (Anuar Zaini, 2000). Moreover, through empowerment, the process to perform good governance at work will be more easy, inclusive and realistic since the employees at different levels take part to succeed it. Basically, employees empowerment in good governance is parallel to the concept of governance that emphasizes the distribution of rights, obligations and power that underpin the organization (OCED, 2000) and governance also involves the manner in which the members of the organization community including employees who have interest and stake in the organization contribute to the governance system (Anuar Zaini, 2000). Therefore, the definition of good governance as above mentioned in the organization context (IOG, 1999) is applicable to define good governance in the context of individual which is the characteristics of the exercise of power by the empowered employees of various level of government. With that, indeed, good governance has the characteristics that are interpreted by effective, honest, equitable, transparent and accountable (IOG, 1999) employees in government organizations.

Similarly, for LGAs, employees who succeed good governance are depicted by the employees who seriously practice the particular characteristics. For example, they must be transparent in interpersonal communication that involves co-workers and clients, accountable for any action taken in avoiding conflict, effective in doing the job that meets the goal and committed to the stated vision. As above mentioned, these valuable characteristics of good governance affect better performance of employees' service delivery and eradication of corruption and other misconduct to be done by employees. These are because of among of employees, they have mutual understanding, no personal interest, good cooperation, clear target to be attained and strong loyalty to the organization. Consequently, successful good governance will drive to the manageable resources of organization which makes the organization become stronger for future growth. It is not stopped here because the strong organizations of public sector with good governance mainly will contribute to the investors' confidences in attracting them for the business expansions in this country. It has been proven that the countries such as Sweden, Singapore and Australia with high level of good governance indexes are able to maintain their strong economy through intense business investments as well as less corruption cases (Transparency International, 2011). Therefore, it is obvious that good governance must be well performed at individual employee level through the practices of related characteristics to ensure the excellence of public sector organizations such as LGAs in order to serve for the country benefits finally.

In relation to that, it is discovered that few researches have studied the area of characteristics that relevant for good governance in the context of individual. The researches focused separately on limited characteristics such as transparency (Rogers, 1987), accountability (Hochwarter, Kacmar & Ferris, 2003), effectiveness (Quinn, 1988), efficiency (Van de Ven & Ferry, 1980), integrity (Mayer & Davis, 1999) and commitment (Cook & Wall, 1980). However, these characteristics can be combined as dimensions of good governance in a latter study for examining more deeply and closely on their roles that represent good governance. Hence, all the findings and discussions from the separated past studies of these characteristics are beneficial to support the latter study.

4. Transformational Leadership

Transformational leadership refers to the leadership that drives the development of subordinates' full potentials, higher needs, good value systems, moralities and motivation (Bass & Avolio, 1994). Consequently, it brings subordinates to be strong of their unity, goals

orientation and beliefs (Bycio et al., 1995) and look forward beyond their self-interests in order to achieve organizational interests. For the organization which has dynamic working environment, transformational leadership is more appropriate because it leads to the empowered subordinates who able to make good decision and take immediate actions to achieve the organizational goals (Bartram & Casimir, 2007; Den Hartog et al. 1997). In the context of LGAs, transformational leadership is really needed as a mechanism to succeed the government transformation program's (GTP) agenda (GTP Roadmap, 2010). Based on the attributes and behaviors of transformational leadership, it will be able to foster excellent attitude, personality and character among the subordinates that contribute to the top performance of LGAs and eventually transform the LGAs as a whole. The style of transformational leadership is identified as the factor that guides and influences the subordinates to practice the valuable elements that manifest good governance practice to the organization (Indrianawati, 2010).

Basically, the behaviors of transformational leadership are conceptualized by four facets which are intellectual stimulation, individualized consideration, idealized influence and inspirational motivation (Bass & Avolio, 1994; Podsakoff, MacKenzie, Moorman & Fetter, 1990). Intellectual stimulation can be understood when the leader stimulates followers to question their own ways of doing things, use of reasons before taking actions and encourage them to try creative and innovative approaches (e.g., interesting and challenging tasks) (Bass & Avolio, 1994; Yammarino & Dubinsky, 1994). In other word, the leader stimulates followers intellectuality. Necessarily, this leader would support followers when they apply creative approaches and identify innovative and proactive methods of facing with issues in the organization. Intellectual stimulation develops in followers of thinking out by themselves and practicing in professional problem solving (Kreitner & Kinicki, 2004).

Individualized consideration refers to the role of leader as a mentor by giving special concerns and being as a good listener on individual follower's needs for achievement and growth while encouraging them to take on increasingly more responsibilities especially through the tasks delegation in order to develop their full potential (Avolio, 1999; Bass & Avolio, 1994; Kark & Shamir, 2002) and become really actualized. Practically, leader with individualized consideration performs mentoring programs as a mechanism to assist followers to grow through personal challenges (Kreitner & Kinicki, 2004; Yukl, 2002). Idealized influence is also known as charisma (Awamleh, Evans & Mahate, 2005; Bass,

1990) which the leader is admired, respected, and trusted by the followers who are able to accept the challenging goals (Bass & Avolio, 1990). Thus, the leader is able to transform followers through the changes of followers' goals, values, needs, beliefs and aspirations (Yukl, 2002). At the same time, this leader openly shows confidence in the capability of followers to meet high performance targets. This is important because subordinates are more likely to be motivated to perform effective and efficient tasks when they are sure that they can attain what are being asked of them. Meanwhile, according to Bass and Avolio (1994), inspirational motivation refers to the degree to which leaders articulate visions that are attracting the followers. A vision states the meaningful needs of the followers which is not only on material rewards but their personal growth as well. By means of inspirational motivation, transformational leader communicates clear expectations to followers that instill them and makes them desirable to become committed in any action and effort to mutually realize the shared vision in the organization.

Those four behavioral facets of transformational leadership have been utilized in the form of dimension in the previous study by Llorens Montes et al. (2005) who conducted a study on the effect of transformational leadership style on organizational learning. In another area of study, transformational leadership also predicts on organizational performance and follower behavior (Boerner, Eisenbeiss & Griesser, 2007). Besides, Adnan's and Mubarak's (2010) study focused on the role of transformational leadership on job and career satisfaction. Apart from that, there are study areas such as organizational culture, employee performance, occupational self-efficacy, service quality, commitment, integrity, effectiveness and efficiency, creativity and innovation, and turnover intentions that linked to transformational leadership as independent variable (Block, 2003; Cemaloglu, Sezgin & Kilinc, 2012; Felfe & Schyns, 2002; Krause, 2004; Miller, 2004). Thus, it is obvious that transformational leadership play important role to predict various positive outcomes in organization. Some of them like commitment (Cemaloglu, Sezgin & Kilinc, 2012), effectiveness (Rodsutti & Swierczek, 2002), efficiency, integrity (Miller, 2004) and innovation (Krause, 2004) as known as good governance characteristics have been employed as the main construct of outcomes in the past studies. However, negligible attention given by those researchers to discuss and relate these outcomes constructs in the perspective of good governance. This is because of the issue of the study is seen related to the particular characteristic individually and they limit the scope of study area on the particular characteristic without associating to

other meaningful area of study such as good governance. Hence, it is necessary to analyze and discuss them in relation to good governance which its characteristics can be practiced based on the prediction of transformational leadership.

5. Transformational Leadership and Good Governance

Recently, transformational leadership has gained significant interest, assuming it as a valuable factor for organizations seeking to gain quality of service delivery and exploit their employees' competency and attitude based on good governance characteristics (Azman et al., 2011; Ina, Rajesri, Budhi & Iman, 2012). The reason is charismatic transformational leadership would be able to instill committed followers who would continuously respect and loyal to their leader (Bass & Avolio, 2004). Another reason, Boselie & van der Wiele (2002) verified that to encourage excellent service delivery, knowledge and motivation are two main elements given high attention especially by transformational leader to the employees. Hence, knowledgeable employees will increase the efficiency of their service delivery. Besides, motivated employees will influence them to be more effective of their work because they feel more valuable and confident. Obviously, the characteristics of efficiency and effectiveness of good governance fostered by the transformational leader to the subordinates lead to excellent services performed by them. Empirically, there are studies indicated significant positive influence determined by transformational leadership on effectiveness within organization (Erkutlu, 2008; Rukmani, Ramesh & Jayakrishnan, 2010).

Apart of that, other characteristics have been proven associated to transformational leadership through separated studies. For instance, employee's creativity and innovative behavior (Axtell et al., 2000; de Jong & Den Hartog, 2007; Kahai et al., 2003; Shin & Zhou, 2003). Basically, intellectual stimulation behaviour of the leader stimulates the follower to perform beyond the task specification, guides follower to think outside the box and stimulates follower to justify any action taken in developing creative and innovative follower. Besides, employee commitment to organization also has been studied on its association with transformational leadership (Clark, Hartline & Jones, 2008; Laschinger, Finegan & Shamian, 2001; Raemah & Rosli, 2012; Rowden, 2000). The leader who has individualized consideration is an informative person who shares timely information with his follower, provide greater opportunities for decision making, challenges, responsibilities and self-determination which most likely motivate the follower to reciprocate with high level of commitment to organization. However, other studies conducted by Jaussi and Dionne (2003)

and Walumbwa et al. (2005) have indicated that transformational leadership has less significant effect on employee's creativity and commitment to organizational service quality respectively. These results might be influenced by the leader who does not fully emphasize on the behaviors such as intellectual stimulation, inspirational motivation and individualized consideration that they supposedly foster follower's creativity and commitment respectively. Conversely, a study by Indrianawati (2010) has examined the impact of leadership on good governance at the university in East Jawa, Indonesia. The study employed leadership characteristics that related to transformational leadership and found that it significantly influences good governance at the university. Interestingly, the study measured the single construct of good governance based on the items developed by different characteristics. They are fairness, transparency, accountability, openness and participation which relate to the perspective of organization. However, these characteristics are applicable as well for employee perspective since they are the characters and behaviors of employees in fighting the misconducts mainly corruption (U Myint, 2000). Thus, result of the study (Indrianawati, 2010) is meaningful to support another study such as in Malaysian LGAs which leadership is possible to influence good governance and solve the issue of employee corruption in Malaysian LGAs.

Hence, this review reveals that transformational leadership is an important variable for enhancing good governance through the leader behaviors that are more cooperative, humanistic and charismatic that lead to valuable characteristics performed by the employees. Organizations with transformational leadership are likely to have proper practice of good governance characteristics than those which pay less emphasis to this variable. In order to make transformational leadership more effective, it is essential to ensure the leaders embedded themselves with these characteristics that could be a role model to influence the employees towards the practice of these characteristics. This would enhance the competency of every individual employee in delivering more quality services besides, fighting or reducing misconducts at work place especially when they are answerable and not for self- interest of their jobs.

6. CONCLUSION AND FUTURE RESEARCH DIRECTIONS

In highly challenging work environment of civil service, it has become necessary for employees to sustain their positions and build up their competency through enhanced characteristics of good governance. In particular, practicing good governance has recently

become a strategic initiative for employees, mainly because good governance is usually evaluated according to how far the employees disclose the valuable characteristics such as transparency, accountability, effectiveness, commitment and integrity that promote themselves free of misconducts and affect public satisfaction through their quality of service delivery. Leadership style of transformational has received significant attention as important variable in influencing employees' good governance. One of the main objectives of leadership style is to motivate the employees and foster them with the practice of good governance.

This paper has discussed past studies that examined the influence of transformational leadership on employees' good governance. In general, the scholars as mentioned above declared that transformational leadership has significant positive impact on employees' good governance. The more effective leadership style, the higher good governance performed by the employees will be. However, concerning in this variable is not sufficient to influence the good governance since there are different perceptions among employees on the factors that affect them to perform good governance. Therefore, LGAs should pay attention to the identification of other determinants that might be related to individual and organizational support elements.

This paper opens an opportunity for some future research directions. For example, future studies can focus on examining the effect of transformational on employees' good governance in different context of study such as in other sector. In addition, the theme of this research can also be conducted by different research methods through a mixture of both quantitative and qualitative approaches in analyzing a direct impact on the employees' good governance. With that, the findings will be supported by strong justifications. Future research also can conduct a cross-case analysis whereby the implementation of transformational leadership used can be compared between various agencies of public sector. Finally, this paper contributes a better understanding on the role of transformational leadership in developing good governance, and offers some insights into how public sector organization leaders can manage the significance of these areas.

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