The Effects of Transformation Leadership, Organizational Culture, Job Satisfaction on the Organizational Performance in the Non-profit Organizations

Dr. Hsin Kuang Chi, Nan Haw University, Taiwan
Dr. Huery Ren Yeh, Shih Chien University, Kaohsiung, Taiwan
Chiou Huei Yu, Graduate Student, Nan Haw University, Taiwan

ABSTRACT

The study aims to explore the effects of transformation leadership, organizational culture and job satisfaction on the organizational performance. The research subjects are the administrative employees who work in the social welfare and benevolent foundations of the non-profit organizations in Taiwan. The purposes of the study are to understand the different response of transformation leadership, organization culture and job satisfaction to supervisors, to examine the relationship among transformation leadership, organization culture and performance, and to investigate whether transformation leadership and organization culture will affect performance through job satisfaction of employees. The study found the following results: (1) transformation leadership, organizational culture and job satisfaction had a significant effect on organizational performance; (2) job satisfaction did have a mediating effect on transformation leadership and organization culture; and (3) the job satisfaction did have a mediating effect on transformation leadership and performance.

Keywords: Transformational Leadership, Organizational Culture, Job Satisfaction, Organizational Performance.

INTRODUCTION

Recently, the number of non-profit organizations has been continuously grown up in Taiwan but the supports and donations both from the public and governments have been relatively reduced because of the overall economic dilemmas and the unstable government policies. Therefore, in order to achieve organizational goal, the non-profit organizations need to rely more management skills on their organizations. In fact, the non-profit organizations are the same as the profit making organizations in operating their business, and they also include management functions such as human resource, finance, organizational behavior, organizational culture, and public relationship (Seetoo, 1999).

Leaders play a very important role to lead their followers to fulfill organizational goals effectively. They need to communicate with their employees thoroughly, and to arrange manpower, finance, and marketing wisely. Leaders also have to build up cohesiveness within the organization. In addition, transformational leadership contended that charismatic leadership, individualized consideration, intellectual stimulation, and communication can raise employees’ values and improve organizational efficiency.

As everyone knows, non-profit organizations have used up a lot of social resources. However, how to utilize social resource effectively became an important management issue. In P.F. Drucker’s book (1995/2004), “Manage in a time of great change,” he identified that non-profit organizations have to learn how to manage effectively from for-profit organizations. On the other hand, for-profit organizations have to learn how to accomplish organizational missions from non-profit organizations. This statement indicated that non-profit organizations lack of management knowledge and it is also the reason to hinder their organizational development.

Moreover, goals and missions of an organization can affect a leader’s thinking and management style. In turn, Leadership will transform into organizational culture and influence job satisfaction of the employees. Therefore, the aim of study is to understand the different response of transformation leadership, organization culture and job satisfaction to supervisors, to examine the relationship among transformational leadership, organizational culture and organizational performance, and to investigate whether transformational leadership and organizational culture will affect performance
through job satisfaction of employees. In the meantime, the study found that there were many researches on the effects of transformation leadership, organizational culture, and job satisfaction on organizational performance but most of them focused on the for-profit businesses, and only few on non-profit organizations. Therefore, this study concentrated on the social welfare and benevolent foundations of the non-profit organizations in Taiwan.

**LITERATURE REVIEW**

**Transformational Leadership**

Transformational leadership is a charismatic leadership which transforms idealization into practical actions. Silins (1994) and Hu (2001) defined transformation as a linking of organizational strategy and psychological aspects which can lead an overall organizational change. Bass (1985) argued that leaders can make their followers to understand the values and the importance of their work, and can lead them to believe the organizational goals overpass their personal interests. Furthermore, leaders can lead a higher level of psychological needs to followers and motivates their commitments to the organization in return (Jiang, 2002).

Bass (1985) proposed that there are three factors that determine the behavioral components of transformational leadership: charisma/inspiration, intellectual stimulation, and individualized consideration. Bennis & Nause (1985) argued that management typically consists of a set of contractual exchanges such as jobs, security, and money. The result of change, at best, is compliance; at worst, get a spiteful obedience. The end result of the leadership is completely different: it is empowerment. Not just higher profits and wages but an organizational culture that helps employees to generate a sense of meaning in their work and a desire to challenge themselves to experience success. In addition, transformational leaders can motivate followers through understanding their needs, presenting organizational visions, enacting regulations, and delegating substantially.

Transformational leadership was conceptualized the framework of into four dimensions: Charismatic leadership, individualized consideration, intellectual stimulation, and visions presentations.

- **Charismatic leadership:** This kind of leader must equip with high level of confidence, strong belief, desire for power, willing to sacrifice for organizations. A leader can employ innovative methods to accomplish organizational goals, and a leader has to emphasize on characteristics of ideology, value, and supreme goal (Grundstein-Amado, 1999; Bennis & Nause, 1985; Hou, 2001). A leader has to build a good example and self-confidence and understand needs and values to followers. In the meantime, a leader can motivate followers by actions and words, and educe their loyalty to the organizations.

- **Individualized consideration:** This kind of leader concerns with the individual needs, characteristics, and abilities, motivates followers with trust and empowerment, and builds an organizational culture which can help individual development (Bennis & Nause, 1985; Hou, 2001; Hu, 2001).

- **Intellectual stimulation:** This kind of leader motivates followers through the conceptual development of thinking, belief and values. A leader has to encourage followers to treat problems with a new and overall viewpoint, and expects them to promote their abilities continuously in deal with problems.

- **Visions presentation:** This leader has to equip with abilities to clarify a practical and trustworthy vision to followers. Therefore, followers can understand the future development of the organizations, and they can cooperate with realistic movements to fulfill the vision (Bennis & Nause, 1985; Hou, 2001; Hsiang, 2002).

**Organizational Culture**

Schein (1996), Mitchell and Yate (2002) addressed that values, beliefs and feelings shared by the groups in an organization are the basic assumptions of the organizational culture. Organizational culture is the feelings and understandings of members in the group and expresses in the organization. Therefore, organizational culture is regarded as the resource of energy and hope of an organization, and it can make leaders and followers to recognize their role in an organization. Organizational culture is a media for leaders to model members’ commitments and constructs visions (Tunstall, 1985). Also, Drucker (1995/2004) proposed that organizational culture acts as a very important bridge in an organization. It is can prompt the identification, the cohesiveness and the consensus of the followers. It can be a mechanism to lead or model the followers’ commitments and organizational visions.
Job Satisfaction

Job satisfaction was referred to employee’s self-recognition (Mowday, Steers, & Porter, 1979). The working environment satisfaction and work itself will subjectively reflect on individual feeling. The research of job satisfaction dimensions included management, salary, welfare, praise, promotion, colleague, system and job condition (Yang, 2006). Since most of workers in the social welfare and benevolent foundations are voluntary, the definition of job satisfaction is to satisfy their individual goal and to attain job achievement. In addition, Song (2000) concluded that the dimensions of job satisfaction include organization, personal interaction, individual development, and others confirmation. The organization refers to the satisfaction of welfare, equipment, and workload in organization. Personal interaction refers to the interaction and cooperation of co-workers and groups. Individual development refers to self goal achievement. Others confirmation refers to the confirmation from organizational partners.

Organizational Performance

Each organization has its own goal, and workers have to utilize different control activities and effective operation to achieve their organizational goal. Performance indices are an instrument to evaluate goal achievement. In the for-profit organizations, performance is to measure revenue, production, and profit making. In the non-profit organizations, they do not evaluate performance by profits. They do not have to make an imminent improvement whether the decision is right or not, whether the resource is used properly, and whether the mission is being achieved. Moreover, Seetoo (1999) the non-profit organizations need performance management to control organizational operation.

Drucker (1990/2004) indicated that the performance of the non-profit organizations must use missions as guideline. Otherwise, they can not operate properly since missions determinate what performances and results they want to accomplish. Thus, the mission accomplishment is the performance indices of the non-profit organization. Decision makers have to continuously examine whether their missions are meaningful to the society and whether the resources are effectively used, and they need seek timing for an improvement. Therefore, management performance is the key for the long term survival of the non-profit organizations and the evaluation indices to the society (Seetoo, 1999). Moreover, Chou (2005) categorized the management performance into business performance and overall satisfaction. Business performance refers that the organizational missions not only meet the expectation of the society but also receive the overall confirmation from the society. In the meantime, manpower and resource have been utilized properly and effectively. The overall satisfaction refers to the degree of members or group overall satisfaction with the recognition, the cohesiveness and organizational performance in an organization.

Transformational leadership, Job Satisfaction and Organizational Performance

Morrow (1983) proposed that transformational leader will help to promote employees’ work abilities, organizational involvement, self-determination, delegation, and self-achievement. If leaders and followers can trust and help each other, it will engender a higher recognition to the organizational goals and values. The followers will make their best efforts to the organization and hope to keep a good relationship with each other. Hence, job satisfaction can be promoted by transformational leadership.

Transformational leaders will motivate followers and lead them to achieve group performance under their own interests. Thus, followers will perform better than expectation and the degree of satisfaction will also increase. Lee (1996) found transformational leadership in the government agencies is positively related to the followers’ job satisfaction. Deluga & Souza (1991) found that performance, job satisfaction and transformational leadership are correlated. Transformational leaders will pay attention to take care and to respect their followers. So, performance and job satisfaction of followers in the work will be elevated. When transformational leaders promote the involvement and achievement of the employees, job satisfaction and organizational identification will also be raised. Therefore, the organization and employees will work closely and the job efficiency will be also lifted. Moreover, Hu (2001) found that organizational culture and types of leadership will influence job satisfaction of employees, and job satisfaction acts as a mediator of leadership and organizational culture to influence organizational performance.
Organizational culture, Job Satisfaction and Organizational Performance

Wallach (1983) identified that performance and job satisfaction depend on the match of personal characteristics and organizational culture. Harris & Mossholder (1996) asserted that organizational culture is the core of the human resource management and it will influence on job satisfaction. Huang and Chi (2004) concluded that job satisfaction can make employees work hard and increase operational performance of the organization. Therefore, when the employee’s requirements are consistent with organizational culture, it can motivate them to work hard.

METHODOLOGY

Based on the literature reviews, one can realize that organizational missions and goals can affect management style of leaders. In turn, it transforms into organizational culture, and then influences job satisfactions of followers. Therefore, how to make followers achieve organizational missions and goals to promote organizational performance through job satisfaction is needed to be explored. Also, whether the moderating effects of job satisfaction on leadership can improve organizational performance is to be examined. Therefore, the research model is presented as shown in Figure 1.

Figure 1: Research Model

Research Hypotheses
H1: Transformational leadership will significantly affect job satisfaction.
H2: Organizational culture will significantly affect job satisfaction.
H3: Job satisfaction will significantly affect organizational performance.
H4: Transformational leadership will significantly affect organizational performance.
H5: Organizational culture will significantly affect organizational performance.
H6: Job satisfaction is a mediator between transformational leadership and organizational performance.
H7: Job satisfaction is a mediator between organizational culture and organizational performance.

Data Analysis and Results

A total of 200 questionnaires were sent to administrative employees who work in forty social welfare and benevolent foundations in Taiwan. Of the 88 questionnaires returned, 81 were sufficiently completely to be used for the analysis, yielding a response rate 42%. The reliability of five scales was assessed by suing Cronbach’ coefficient alpha (α). α value is 0.92 for transformational leadership, 0.87 for organizational culture, 0.85 for job satisfaction, and 0.81 for organizational performance. Cuieford (1965) suggested that coefficient alpha value over 0.7 has a high reliability, and smaller than 0.35 has a low reliability. Thus, the results show that the survey is reliable.
In addition, the study conducted correlation analysis to examine the relationship among variables. The results show that transformational leadership ($r=0.543$, $p<0.01$), organizational culture ($r=0.623$, $p<0.01$) and job satisfaction ($r=0.586$, $p<0.01$) are positively and significantly related to organizational performance (See Table 1). It indicates that the higher of transformational leadership, organizational culture, and job satisfaction are, the higher of organizational performance is.

<table>
<thead>
<tr>
<th>Table 1: Correlation Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>1. Transformational leadership</td>
</tr>
<tr>
<td>2. Organizational culture</td>
</tr>
<tr>
<td>3. Job satisfaction</td>
</tr>
<tr>
<td>4. Organizational performance</td>
</tr>
<tr>
<td>5. Age</td>
</tr>
<tr>
<td>6. Seniority</td>
</tr>
<tr>
<td>7. Education</td>
</tr>
</tbody>
</table>

Note: *P<0.05, **P<0.01, ***P<0.001

Mediating Test

Judd and Kenny (1981) suggested that one should estimate the three following regression equations in order to test for mediation: first, regressing the mediator on the independent variable; second, regressing the dependent variable on the independent variable, and third, regressing the dependent variable on both independent variable and on the mediator. In addition, Baron & Kenny (1986) argued that three conditions must hold to establish mediation: “first, the independent variable must affect the mediator in the first equation; second, the independent variable must be shown to affect the dependent variable in the second equation; and third, the mediator must affect the dependent variable in the third equation. If these conditions all hold in the predicted direction, then the effect of the independent variable on the dependent variable must be less in third equation than in the second. Perfect mediation holds if the independent variable has no effect when the mediator is controlled. (p.1177).”

To test hypothesis 6, a regression analysis is to examine whether job satisfaction is a mediator between transformational leadership and organizational performance as show in Table 3. First, Job satisfaction is the dependent variable, and transformational leadership is the independent variable. The results show that job satisfaction is significantly related to transformational leadership ($\beta=0.619, p<0.001$) (See Table 2). Second, organizational performance is the dependent variable, and, transformational leadership and job satisfaction are independent variables. Transformational leadership and job satisfaction regresses with organizational performance separately. The results show that transformational leadership ($\beta=0.543, p<0.001$), and job satisfaction ($\beta=0.586, p<0.001$) are significantly related to organizational performance (See Table 3). Third, job satisfaction adds to transformational leadership and regresses with organizational performance. The results indicate that transformational leadership ($\beta=0.292, p<0.05$) is still significantly related to organizational performance but the $\beta$ value is smaller after the addition of the mediator, job satisfaction (See Table 3). The hypothesis 6 is supported.
Table 2: Regression of Transformational Leadership on Job Satisfaction

<table>
<thead>
<tr>
<th>Variable</th>
<th>Job Satisfaction</th>
<th>β</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>0.619</td>
<td></td>
<td>0.000***</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.375</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F value</td>
<td>49.080</td>
<td></td>
<td></td>
</tr>
<tr>
<td>df</td>
<td>(1.79)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *P<0.05, **P<0.01, ***P<0.001

Table 3: Regression of Transformational Leadership and Job Satisfaction on Organizational Performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Organizational Performance</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>0.543 (0.000*** )</td>
<td>--</td>
<td>0.292</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.011*)</td>
<td></td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>--</td>
<td>0.586</td>
<td>0.405</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.000***)</td>
<td>(0.001***)</td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.286</td>
<td>0.336</td>
<td>0.381</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F value</td>
<td>33.105</td>
<td>41.416</td>
<td>25.644</td>
<td></td>
</tr>
<tr>
<td>df</td>
<td>(1.79)</td>
<td>(1.79)</td>
<td>(2.78)</td>
<td></td>
</tr>
</tbody>
</table>

Note: *P<0.05, **P<0.01, ***P<0.001

To test hypothesis 7, a regression analysis is applied to examine whether job satisfaction is a mediator between organizational culture and organizational performance as shown in Table 5. First, job satisfaction is the dependent variable and organizational culture is the independent variable. The result displays that organizational culture (β=0.646, p<0.001) significantly account for job satisfaction (See Table 4). Second, organizational performance is the dependent variable to regress the independent variables, organizational culture and job satisfaction separately. The results demonstrate that both organizational culture (β=0.623, p<0.001) and job satisfaction (β=0.586, p<0.001) significantly account for organizational performance. job satisfaction is the dependent variable and organizational culture is the independent variable (See Table 5). The result displays that organizational culture (β=0.646, p<0.001) significance account for job satisfaction. Third, job satisfaction adds to organizational culture and regresses with the dependent variable, organizational performance. The result shows that organizational culture (β=0.42, p<0.001) sill significantly account for organizational performance but the β value is smaller after the mediator, job satisfaction is added (See Table 5). Therefore, the hypothesis 7 is supported.

Table 4: Regression of Job Satisfaction on Organizational Culture

<table>
<thead>
<tr>
<th>Variable</th>
<th>Job Satisfaction</th>
<th>β</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Culture</td>
<td>0.646</td>
<td></td>
<td>0.000***</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.410</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F value</td>
<td>56.488</td>
<td></td>
<td></td>
</tr>
<tr>
<td>df</td>
<td>(1.79)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *P<0.05, **P<0.01, ***P<0.001
This paper studies the effects of transformation leadership, organizational culture, job satisfaction on the organizational performance. The research subjects were the administrative employees who work in the social welfare and benevolent foundations of the non-profit organizations in Taiwan. The results exhibit that (1) transformation leadership, organizational culture, job satisfaction have a positive relationship with organizational performance; (2) transformation leadership is positively related to job satisfaction; (3) organizational culture is positively related to job satisfaction; (4) job satisfaction significantly account for organizational performance; (5) transformation leadership significantly account for organizational performance; (6) organizational culture significantly account for organizational performance; (7) job satisfaction is a mediator between transformational leadership and organizational performance; and (8) job satisfaction is a mediator between organizational culture and organizational performance. Therefore, all hypotheses of this study are supported.

The study found that transformational leadership has a positive effect on the organizational performance. It means that transformational leaders are helpful to promote work performance. This result is supported by the findings of Bass, Avolio, Jung, and Berson (2003). In addition, this study found that job satisfaction is significantly and positively related to organizational performance. This result is also supported by the findings of Huang and Chi (2004), and Lam, Schauboeck and Aryee (2002) that job satisfaction can motivate employees to work hard and promote organizational performance.

The study shows that job satisfaction is a mediator of transformational leadership and organizational performance, and of organizational culture and organizational performance. Thus, transformational leaders can promote employees’ job satisfaction and engender them to fulfill organizational missions and accomplish the organizational goals. On the same token, organizational culture is closed related with job satisfaction. Leaders can encourage employees to proceed with innovation, and help them to exhibit their abilities through job, and to pursue opportunities in order to attain higher self-satisfaction. As a result, the organizational involvement and work enthusiasm of employees can be raised, and the organizational performance is also promoted.

The study also found that transformational leadership significantly account for job satisfaction. Thus, transformational leaders should exhibit their charismatic leadership, set a good example, and build a practical and clear vision to their followers. When the followers can feel the satisfaction on the work environment and work itself, they will reflect their satisfactions on the organizational performance. Also, leaders and followers should trust and help each other. Therefore, followers can receive the satisfaction from the interpersonal interaction and others confirmation.

Meanwhile, the study also found that the organizational hierarchy in the foundations is often narrow, and the employees can contact with their supervisors easily during the work. Thus, the management style of supervisors can greatly influence employees. Besides, the supervisor in the foundations is often a mission executor and a decision maker. Their behavior can affect the organizational performance strongly. In the meantime, most workers in foundations are volunteers. They do not satisfy with individuals’ satisfaction as a goal. Leaders should pay more attention to emphasize

<table>
<thead>
<tr>
<th>Variables</th>
<th>Organizational Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
</tr>
<tr>
<td>Organizational Culture</td>
<td>0.623 (0.000***)</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>--</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.381</td>
</tr>
<tr>
<td>F value</td>
<td>50.238</td>
</tr>
<tr>
<td>df</td>
<td>(1.79)</td>
</tr>
</tbody>
</table>

Note: *P<0.05, **P<0.01, ***P<0.001

### CONCLUSIONS AND SUGGESTIONS

Table 5: Regression of Organizational Culture and Job Satisfaction on Organizational Performance
the visions of foundations and make a higher contribution to society to satisfy followers. In addition, Ribelin (2003) concluded that types of leadership not only can improve organizational performance but also can influence employees’ job satisfaction. Leaders have to understand followers’ needs, to propose clear visions, to enact good system, and to delegate substantially rage, so followers will make their best effort to the organization and accomplish their own goals. As a result, followers are willing to interact with their leaders because of leader’s charisma and their understanding organizational visions completely. As a result, followers are motivated to achieve organizational missions, and organizational performance can be elevated.

Organizational culture just likes soul of the organizations, and it will bring the energy of the organizations. The study found that an encouragement of innovational services and activities, an emphasis on the cohesiveness and the consolidation of employees can improve organizational performance and work efficiency. Transformational leaders can stimulate followers to challenge their current working conditions, and in turn, followers will perform innovatively. That is, transformational leaders are able to innovate with the organization, satisfy followers, and achieve higher organizational performance (Tang, 2006). Besides, the organization can introduce newly managerial concepts, create a learning opportunity and abide by the organizational regulations to model a spurious organizational culture. The organization can also open a communication channel, respect employees’ creativeness, encourage different thinking and brainstorming in order to help employees’ to communicate each other and pursue individuals’ goal.

REFERENCES


