

Examining the Effects of Leadership, Market Orientation and Leader Member Exchange (LMX) on Organisational Performance

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Based on the theory of customer value, comprehending the needs of customers and creating value for them is crucial for organisations to be competitive in the marketplace. Although there is an upward trend in the study of customer value, it is not known if the impact of leadership and market orientation on performance was researched in any studies. In this study, the concept of market orientation is comprised of three-dimensional constructs, while leadership consists of two-dimensional constructs. This study endeavours to investigate the constructs of market orientation, leadership and organisational performance in a single framework. To do so, a total of 184 financial services companies in Malaysia took part in this research. The analysis highlights that organisational performance was impacted by various components of market orientation. This paper further discusses the findings' implications, limitation of the study and future research directions.

Keywords: *Leaders, Market Orientation, LMX, Performance, Multinational Companies, Malaysia.*

Introduction

In the present day, the majority of organisations are increasing efforts to stay competitive in order to achieve their vision and mission. One of the ways for organisations to realise their target and purpose is by cutting costs (Wichramasinghe *et al.*, 2008). Apart from achieving their stated mission and vision, an organisation has to fulfil its obligation to return investments made by owners by obtaining superior performance. It is vital that an organisation employs the right strategies in its quest to achieve their goals, objectives and the desired performance to appease the organisation's stakeholders. In identifying the right strategies, one of the most common tactics engaged by organisations is market orientation, whereby an organisation attempts to identify and satisfy the needs of customers ahead of its competitors. With all of these in place, an effective leader is needed to guide and drive the organisation towards superior organisational performance.

The subject of leadership is regarded as an essential element in the study of organisations as it is regarded to be the foremost important ingredient in the success of an organisation. The performance of an organisation hinges on its leaders as an organisation sets out its mission and vision and determines its existence in the market (Zaccaro & Klimoski, 2001). Creating and delivering value are vital components of the competitiveness and the marketability of an organisation (Berghman *et al.*, 2006). As a result, organisations that are not innovative enough are likely to struggle in the market (Lonial *et al.*, 2008).

The study of leadership principally focuses on transformational and transactional styles, both of which are regarded as novel approaches (Kuada, 2010). (Schneider &

George, 2011) suggest that leaders who practice a transformational style have the capability to motivate and influence subordinates by inspiring them (Avolio *et al.*, 2004; Dvir *et al.*, 2002). It is a leadership style that promotes mutual cognizance among members of an organisation that elevates them to achieve shared objectives. Moreover, leaders who practice a transactional style of leadership emphasise task oriented duties, such as job standards and the objectives of jobs (Burns, 1978; Jogulu, 2010). Transactional leadership focuses on highlighting interests of individual leaders and their subordinates in accomplishing predetermined agreements of both parties by evaluating and observing their outcomes (Bass & Avolio, 2000). Both leadership styles are not considered contradictory as leaders can practice both styles (Bass, 1985). (Gardner & Stough, 2002) suggest that transactional leaders are less effective than transformational leaders because the motivational dimension of transformational leadership was found to surpass the leadership models of the transactional leadership style (Bass, 1985; 1997). Arham (2014) suggested that in order for the organisation to obtain support from employees in the desired objectives, it is crucial for leaders to inspire employees to learn and grow, to motivate them in attaining higher targets, to provide emotional support and guide them, to understand their needs and develop their skills and enhance their talent (Gillespie & Mann, 2004). Therefore, this study is timely as past research (e.g. Bass, 1985; Tarabishy *et al.*, 2005) underline that good leaders allow organisations to obtain superior performance, enhance employees' satisfaction and motivate employees (Papalexandris & Galanaki, 2009).

Altuntas *et al.*, (2013) contend that the study of market orientation is prevalent in the literature of marketing (Smirnova *et al.*, 2011). The majority of these studies

investigate market orientation from either behavioural or cultural perspectives. According to (Kohli & Jaworski, 1990), the behavioural standpoint of market orientation centres on matters that relate to generating, disseminating and responding to market intelligence. Moreover, (Narver & Slater, 1990) suggest that the cultural perspective covers activities that are related to customer orientation, competitor orientation, and interfunctional coordination.

Pinho *et al.*, (2014) found that past studies (e.g. Cano *et al.*, 2004; Kirca *et al.*, 2005) validated the positive link between market orientation and organisational performance, whereby this relationship was investigated in diverse settings, such as industrial (Cano *et al.*, 2004) and culture (Selnes *et al.*, 1996). Albeit these indications, there were a number of scholars who raise the issue whether organisations that possess market orientation are able to obtain better performance. This is because they are concerned with the fact that by possessing market orientation, organisations would end up focusing entirely on customers' needs rather than reaching out to search for new customers or putting in efforts to comprehend the dormant needs of their current customers (Theodosiou *et al.*, 2012). Focusing too heavily on customers may lead to the danger of organisations being non-innovative and neglecting research and development efforts.

Leader-member exchange (LMX) is described as the exchange quality between a leader and a subordinate (Graen & Scandura, 1987). In this situation, leaders and subordinates could form high-quality social exchanges that are subjected to confidence, open interaction, sharing of information and fondness of subordinates. However, leaders may develop lower quality social exchanges with other subordinates that do not expand over the employment requirements (Erdogan *et al.*, 2006; Sparrowe & Liden, 1997). LMX differs from other leadership theories since it focuses specifically on the exceptional, dyadic bond that can be negotiated between leaders and subordinates over a continuum (Dansereau *et al.*, 1973; Graen & Schiemann, 1978).

Performance plays an important role to organisations as it provides the benchmark of its evolution in the market. The significance of organisational performance is widely recognised, but lacks the manners in improving it. According to (Tariq *et al.*, 2014), organisational performance relates to how well an organisation achieves the objectives of an organisation and the social capital that binds and augments the overall performance of the organisation (Lesser & Storck, 2001). Research in organisational performance gained considerable attention, and previous studies investigated the relationship between leadership and organisational performance.

(Michael, 2014) posits that comprehending the core thrusts of organisational performance was a long-time focus for research in organisations (Rumelt *et al.*, 1994) as theories of strategic human resource management (Le *et al.*, 2007) and the resource-based view highlight the crucial role that human resources play in organisations' efforts in achieving superior performance and a competitive advantage (e.g. Acedo *et al.*, 2006; Barney *et al.*, 2001). The management of human resources is imperative as organisations are able to obtain superior performance through the selection of appropriate leaders and employees in carrying out the organisation's mission and vision (Crook

et al., 2011). Therefore, this research endeavours to address these disparities by attempting to examine how leaders would employ the appropriate strategies, such as market orientation and LMX, in enhancing organisational performance.

This research attempts to examine the effects of leadership styles (transformational and transactional), market orientation, and LMX on organisational performance in the setting of the financial services sector in Malaysia. The financial services industry contributes to 11,6 % of the country's gross domestic product (GDP) and is considered as the catalyst of Malaysia's economic growth (Economic Transformation Programme, 2011). Whereas many studies in the past focused on leadership, organisational performance, and market orientation concepts individually, rarely were these concepts studied simultaneously, and this provides an opportunity to study the relationships among these three concepts. There is little research that investigated a combination of leadership styles e.g. transformational, transactional, market orientation, LMX and their impacts on organisational performance. This study attempts to bridge this gap by combining these constructs into a single research framework. The authors are hoping that the results of this study would assist industry practitioners of the Malaysian financial service sector in attaining better performance that in turn, would contribute to the country's GDP.

Therefore, this paper is arranged as follows: the following section presents a review of literature and discusses the framework of this study, which also includes the development of hypotheses. The next section covers methodology, analysis and discussion, while the final section of this paper discourses the conclusions and implications of the study.

Literature Review

Transformational Leadership

The study of leadership is regarded as a joint collaboration between the superior officers and subordinates where the leader undertakes to inspire the conducts of his or her subordinates to complete the missions and visions of an organisation (Yukl, 2010). All of these endeavours are not possible without contributions from the leaders' followers. Transformational leadership, according to (Rowold, 2011) is the most essential style of leadership because these types of leaders have the capability to influence subordinates through a blend of behaviours that change subordinates' values and appeals, which enable them to achieve outstanding performance in their job. Moreover, (Zopiatis & Constanti, 2010) contend that this type of leadership style focuses on a mutual understanding between leaders and subordinates in achieving corporate objectives (e.g. Hater & Bass, 1988). (Garcia-Morales *et al.*, 2012) however, describe transformational leadership as a type of practice that heightens subordinates' cognizance in obtaining their shared objectives (Bass & Avolio, 2000). Transformational leadership endeavours to develop emotional connections with subordinates and stimulates greater values. This style of leadership conveys a message of a magnitude of having the same mission and instilling a sense of importance and determination onto subordinates. Transformation leaders

are a catalyst and advocate innovative culture and the diffusion of knowledge to obtain optimum organisational performance. This can be achieved through their charismatic and inspirational characteristics that encourage intellectual discussions (Bass, 1999; Bass & Avolio, 2000; Conger, 1999).

Accordingly (Birasnav, 2014) suggests that transformational leaders have the propensity to enhance performances of organisations as this type of leadership inspires employees to be risk takers. As such, risk taking behaviours produce favourable impacts on organisational performance (Waldman *et al.*, 2001). Transformational leaders motivate and encourage employees to innovate and to take challenges. These leaders also instil positive attitudes on employees and inspire employees to seek new ways in solving work problems. As such, transformational leadership is regarded to have a positive impact on performances of organisations. Therefore, the following hypothesis is developed:

H1: Transformational leadership style is positively related to organisational performance.

Transactional Leadership

The theory of transactional leadership focuses on the leaders' and subordinates' agreed transactions and when subordinates conclude an assignment, a leader shall remunerate (Rowold, 2011) or penalise for any incomplete tasks (Kuada, 2010), based on the prior contract between the leader and their followers. According to (Garcia-Morales *et al.*, 2012), transactional leadership focuses on fostering the interests of the leaders and the subordinates and in fulfilling the predetermined agreement. This is done by forming objectives and supervising and organizing the outcomes (Bass & Avolio, 2000). Past studies show a mixed outcome on the impact of transactional leadership on organisational performance (Arham, 2014). For instance, (Yang, 2008), suggests that there is a significant positive relationship between transactional leadership and the performance of small and medium enterprises, whereas (Pedraja *et al.*, 2006) study demonstrate a negative relationship. Transactional leaders enable organisations to effectively realise an organisation's objectives by rewarding job performance and by guaranteeing employees resources for them to carry out their duties. Furthermore, transactional leadership centres on the process of exchange with regard to the leader's desire, and emphasises the tasks at hand. In this instance, it highlights the fact that transactional style leadership is the traditional leadership approach that may have an impact on organisational performance.

As such (Wang *et al.*, 2011), posit that transactional leadership is associated with exchanges that are agreed upon partners' goals and objectives; it principally focuses on maintaining and monitoring operational systems in organisations. Transactional leadership behaviours determine the strategies that organisations should embark on and create the necessary arrangements for employees to adhere and follow in addition to improving any mistakes that may occur. These actions are believed to have a favourable effect in improving organisational performance. Therefore, the following hypothesis is formulated:

H2: A transactional leadership style is positively related to organisational performance.

Market Orientation

Chung *et al.*, (2011) elucidate that market orientation is derived from the marketing concept in which the attention of an organisation falls on customers' needs (Webber, 1993). From the perspective of a customer, market orientation is divided into two, namely capabilities of competitors and the needs of other noteworthy market players (Kohli *et al.*, 1993). Past literature establish that market orientation was researched from various perspectives, such as from behaviour that is culture-based (Slater & Narver, 1999), customer focused (Desphande *et al.*, 1993), marketing intelligence (Jaworski *et al.*, 2000), and to strategic marketing (Gatignon & Xuereb, 1997).

As a result of the multiple components that were found to describe market orientation, researchers have yet to reach a consensus of the "right" definition of market orientation (Awwad & Agti, 2011; Ramayah *et al.*, 2011). From the extensive concepts of market orientation, there are two approaches that are the most widely applied for market orientation related research. In the first approach, past studies that investigated market orientation (Awwad & Agti, 2011; Barnabas & Mekoth, 2010) define it as common values and principle that delivers individuals the behavioural norms in organisation (e.g. Narver & Slater, 1990). This description contains three behavioural elements, which are competitor orientation, customer orientation and interfunctional coordination (Slater & Narver, 2000). Customer orientation is the understanding that the organisation has about the target customers in order for the organisation to be able to constantly provide superior value for them, while competitor orientation is an understanding of the strengths, weaknesses and capabilities of both current and future competitors. Interfunctional coordination is defined as the harmonised application of an organisation's resources in creating superior value for target consumers.

Secondly, previous researchers (McClure, 2010; Barnabas & Mekoth, 2010; Tsiotsou & Vlachopoulou, 2011; Eng, 2011) propose that market orientation is derived of occurred activities throughout the organisation that covers market intelligence, intelligence dissemination, and responsive to this intelligence (e.g. Kohli & Jaworski, 1990). Fundamentally, a market-oriented organisation will find sources of information available in the external environment. The information obtained provides the organisation with valuable information necessary to strategise and to tackle the unpredictable market surroundings, which are comprised of competitors, the target consumers and existing customers.

Efficient acquisition of customers' information and data and distribution of important market orientation is crucial for the creation and management of customer relationships in order to understand customers' needs and wants. A market-oriented organisation is able to enhance their products and services in accordance to customers' traits and opinions that increases customer satisfaction. A satisfied customer will be transformed into a loyal customer and this will increase sales and repeated purchases (Wang *et al.*, 2012). Furthermore, Mokhtar, (Yusoff & Ahmad, 2014)

elucidate that market orientation is regarded as a catalyst for superior organisational performance and it enables organisations to generate superior value for the organisations' customers (Narver & Slater, 1990). Past studies (e.g. Kohli & Jaworski, 1990; Ruekert, 1992; Slater & Narver, 2000) establish a positive relationship between market orientation and organisational performance. Therefore, the following hypothesis is proposed :

H3: Market orientation is positively related to organisational performance

Leader-Member Exchange (LMX)

The theory of leader-member exchange (LMX) perceives leadership as a process that focuses on the collaboration between leaders and subordinates. LMX is divided into four categories, namely loyalty, affect, professional respect and contribution (Liden & Maslyn, 1998). Thereafter, (Bhal & Ansari, 1996) created a new LMX scale known as LMX-Affect and LMX-Contribution. The forte of LMX is that it has the ability to forecast results within organisational boundaries, such as performance and attitudes (Gerstner & Day, 1997), organisational commitment (Linden *et al.*, 2000), ratings of the performance (Liden & Maslyn, 1998) and satisfaction (Duchon *et al.*, 1986). A poor LMX was similarly considered as an undesirable attribute in an employment relationship and was observed to explain employees' turnover (Griffeth & Hom, 2001). A number of studies found that the relationship quality between leaders and followers enable employees to participate in organisational goals (Schyns *et al.*, 2005; Yukl & Fu, 1999), to perform well (Costigan *et al.*, 2006), allowing them to be more committed to the organisational cause (Lo *et al.*, 2010; Torka *et al.*, 2010), and indicates justice perceptions of the employees (Piccolo *et al.*, 2008). LMX has the capabilities to affect the in-role and extra-role of subordinates' performance that together comprise organisational performance. As mentioned in the preceding section, a leader may develop either high-quality or low-quality social exchanges. This translates so that in high-quality LMX, leaders are inclined to offer strong support to the favoured employees and in return, the employees are motivated to perform their duties beyond stipulated job requirements and are prepared to undertake more assignments. In low-quality LMX, the opposite rings true. The high-quality LMX relationship has positive significances to the performance of the organisation (Kim, 2013) whereas a low-quality LMX would be the opposite.

The role of supervisors is crucial in creating employees' work ethics and performance. The quality of LMX is imperative for the employees' performance as it has an effect on the overall organisational performance. Employees who are having high exchanges with their leaders are able to obtain exchanges that will lead the employees into better skills and improvements. High exchanges also enable leaders to provide subordinates with trust and emotional supports. This may enhance employees' on-the-job performance, which ultimately improves organisational performance (Janssen & Van Yperen, 2004). Leaders who display positive interactions with employees will gain trust and appreciation from employees who in turn enhance employees' motivation and job satisfaction (Li *et al.*, 2012).

All of these exchanges have positive impacts on the overall organisational performance. Therefore, the following hypothesis is developed:

H4: LMX is positively related to organisational performance

Organisational Performance

Organisational performance refers to an organisation's ability in meeting stakeholders' needs and to guarantee an organisation's existence in the marketplace (Griffin, 2003). It is also a concept that measures the position of an organisation in relation to its rivals in the marketplace. (Lopez-Nicolas & Merono-Cerdan, 2011) propose that there is an expansive and widespread dimension of organisational performance. One of the most commonly accepted techniques is the Balance Scorecard (Kaplan & Norton, 1996) whereby performance is calculated based on financial and value creation perspectives. However, past research (Liang *et al.*, 2010; Ozsahin *et al.*, 2011) defines organisational performance as the effectiveness of a firm in the spheres of financial and operational performance (e.g. Venkatraman & Ramanujam, 1986, Saraf *et al.*, 2007). Organisational performance falls under two systems of categories, in which in the first category, financial and operational dimensions are discerned, while in the other classification, organisational performance comprises of primary and secondary sources of information (Venkatraman & Ramanujam, 1986). Additionally (Kellermanns *et al.*, 2011) suggest that the financial performance component consists of return on assets, return on sales, and growth (e.g. sales growth, capital growth, and net earnings growth). Moreover, (Ozsahin *et al.*, 2011), describe organisational performance as an objective and subjective benchmark that comprises of impartial financial indicators. A subjective benchmark consists of a judgmental assessment of the members who participated in the survey.

Based on the literature presented, this study attempts to investigate the effects of leadership styles on organisational performance and adopts the subjective measures of investigating the performance of service quality, satisfaction of employees and clients, and productivities in examining the holistic performance of financial services organisations in Malaysia.

Methodology

The respondents of this study are derived from senior managers of financial services organisations who are working in the states of Selangor, Kuala Lumpur, Penang and Sarawak. These organisations are obtained based on the list of companies under the database of Bank Negara Malaysia and Security Commission of Malaysia. The sample size of this study is based on (Sekaran, 2000) who concurs with (Roscoe, 1975) on the number of sample size for most studies being sufficient from between 30 to 500. A total of 184 usable responses were obtained. In selecting the respondents, we adopted a method of systematic random sampling. A sample of respondents is collected through a survey questionnaire that is divided into four sections. In Section 1, this study adopts the Multifactor Leadership Questionnaire (MLQ), a method employed by (Bass &

Avolio, 1997) in measuring subordinates' perceptions of the leadership styles of their leaders. To measure MO, which is in Section 2 of the questionnaire, this research utilises the scales of (Narver & Slater, 1990), while a 12-item is based on (Liden & Maslyn's, 1998) dimensions of contribution, loyalty, affection and respect, with three items representing each dimension are designed to measure LMX, which are represented in the questionnaire's Section 3. All of these items are anchored on a Likert scale of 7-points. Lastly, Section 4 of the questionnaire covers the demographic data and profile of respondents. This study employs SmartPLS 2.0 Version 2 (Ringle *et al.*, 2005) to measure the model, which is based on path modelling and then the bootstrapping (Chin, 1998; Tenenhaus *et al.*, 2005; Wetzels *et al.*, 2009) with 200 re-samples used to generate the standard error of the estimate and t-values. Similar to LISREL and associated structural equation approaches, partial least squares presents the benefit of permitting the complete research model to be tested just once (Halawi & McCarthy, 2008).

Findings

Assessment of the Measurement Model

In assessing the measurement model, confirmatory factor analysis (CFA) is administered to measure the scale's reliability, discriminant validity and convergent validity. The loadings of all the items are presented in Table 1, which illustrate the loadings being more than 0,5 or $p < 0,01$. Moreover, as suggested by (Bagozzi & Yi, 1988), all of the AVE surpassed 0,5, while the composite reliability (CR) was above 0,7 (Gefen *et al.*, 2000). This concludes that convergent validity is realised. Table 2 illustrates the t-value of measurement items where it illustrates that all of the values surpassed the 1,96 level of significance, which underlines that the measurement items are able to explain the constructs. Table 3 describes the constructs' discriminant validity. In deciphering the discriminant validity, AVE was square rooted in order to contrast against the intercorrelations of the model's construct as means to confirm discriminant validity (Chin, 2010, 1998b; Fornell & Larcker, 1981). The results show that the AVE square root surpassed the correlation against other variables.

Table 1

The Results of Measurement Model

Model Constructs	Measurement Items	Factor Loading	CR ^a	AVE ^b
Organisational performance	OP_Client_satisfaction	0,884	0,882	0,652
	OP_Employee_satisfaction	0,750		
	OP_Productivity	0,765		
	OP_Service_quality	0,825		
LMX	LMX_A	0,823	0,893	0,678
	LMX_C	0,884		
	LMX_L	0,704		
	LMX_PR	0,870		
Transactional	Transaction_AC	0,817	0,917	0,787
	Transaction_CR	0,933		
	Transaction_PA	0,908		
Transformational	Transf_IM	0,846	0,885	0,719
	Transf_ISIC	0,865		
	Transf_II	0,832		
Market Orientation	MO_Competitor	0,829	0,863	0,682
	MO_Customer	0,806		
	MO_Interfunctional	0,842		

Note: ^aComposite Reliability (CR) = (square of the summation of the factor loadings) / {(square of the summation of the factor loadings) + (square of the summation of the error variances)}

^bAverage Variance Extracted (AVE) = (summation of the square of the factor loadings) / {(summation of the square of the factor loadings) + (summation of the error variances)}

Table 2

Summary Results of the Model Constructs

Model Constructs	Measurement Items	Standard estimate	t-value
Organisational performance	Client_satis_op	0,884	35,927
	Employee_satis_op	0,750	13,959
	Productivity_op	0,765	15,319
	Serv_qual_op	0,825	22,882
LMX	LMX_A	0,823	19,370
	LMX_C	0,884	34,927
	LMX_L	0,704	8,729
	LMX_PR	0,870	31,526
Model Constructs	Measurement Items	Standard estimate	t-value
Transactional	Transc_AC	0,817	3,721
	Transc_CR	0,933	4,441
	Transc_PA	0,908	3,952
Transformational	Transf_IM	0,846	4,009
	Transf_ISIC	0,865	3,236
	Transf_II	0,832	3,261
Market Orientation	Competitor_mo	0,829	14,802
	Customer_mo	0,806	17,890
	Interfunctional_mo	0,842	20,271

Table 3

Constructs' Discriminant Validity

Constructs	LMX	MO	OP	Transactional	Transformational
LMX	0,823				
MO	0,453	0,826			
OP	0,628	0,576	0,807		
Transactional	0,043	0,113	-0,074	0,887	
Transformational	-0,004	0,093	-0,114	0,851	0,848

Note: Diagonals signify the square root of the AVE. Others are the correlations

Based on the tables above, it is concluded that the model of measurement is acceptable as the reliability, discriminant and convergent validities are considered as adequate.

Assessment of the Structural Model

To investigate the global validation of the PLS analysis, a global fit measure (GOF) was performed. The outcome of 0,607 (R2 average is 0,524, while the AVE average is 0,704) highlights that the model is above the required large effect sizes R2 value of 0,36. Therefore, the model has the capacity to support the overall PLS model (Wetzels *et al.*, 2009).

$$GoF = \sqrt{AVE \times R^2} \tag{1}$$

To test the hypothesis, the outcome is shown in Table 4 and Figure 1. H3 examines the linkage between market orientation and organisational performance. The result of hypothesis testing underlines that market orientation is significant in influencing performance in organisation ($\beta=0,385, p < 0,01$). In regards to H4, results indicate that LMX is also significant in contributing to the performance of the organisation ($\beta= 0,455, p < 0,01$). Furthermore, H1 (the relationship between transactional

leadership and organisational performance) and H2 (the relationship between transformational leadership and organisational performance) are not supported.

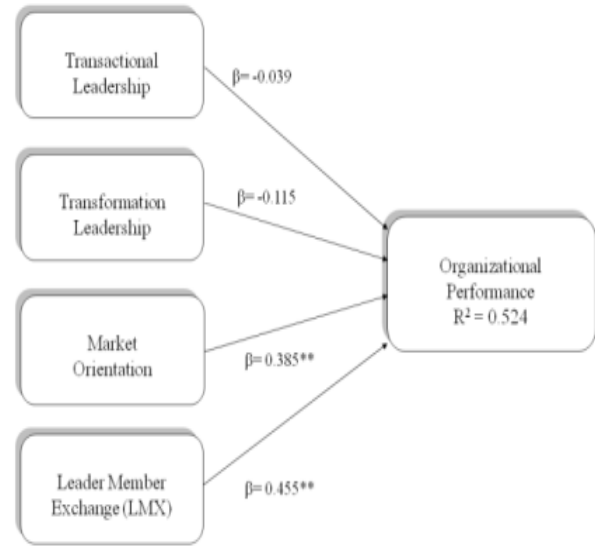


Figure 1. Results of the Structural Model

Table 4

Path Coefficients and Testing of Hypothesis

Hypothesis	Relationships	Path Coefficient	t-value	Decision
H1	Transactional Leadership → OP	-0,039	0,336	Not supported
H2	Transformational Leadership → OP	-0,115	0,880	Not supported
H3	Market Orientation → OP	0,385	4,048	Supported
H4	Leader Member Exchange → OP	0,455	4,466	Supported

Note: *P < 0,01, p < 0,05

Discussion

This paper verifies that organisational performance is regarded as an intricate construct and literature in the past confirmed that its elements may have distinct managerial priorities. Due to the complexity of the organisational performance dimension, this resulted in inclusive findings across countries and different industries. (Lambin, 2000) elucidated that: organisations, which are not market-oriented, may lose their competitive advantage and the ability to apprehend changes in the economic, social and political scenarios. It was found that the majority of the research in the field of market orientation highlighted a positive relationship between market orientation and performance (Kirca *et al.*, 2005). In market orientation, the component of customer orientation enhances the

satisfactions of employees and customers, increases productivity and service quality of the organisation, which leads to better overall performance. The findings of this study are expected to reveal a similar outcome as customer orientation is viewed as a key constituent of an organisation's strategic orientation (Zhou *et al.*, 2005). (Sorensen, 2009) found that an organisation's market-oriented strategies aimed towards a customer would employ a separate strategy when aimed towards its competitors.

From this study, it underlines that market orientation is significantly related to organisational performance. This finding is in accordance with a study by (Matanda & Ndubisi, 2009) who observe that an inter-functional coordination component of market orientation enhances productivity within an organisation. Furthermore, (Bugandwa & Akonkwa, 2009), explicate that in order to do

so, this requires participation from all employees in the organisation. Additionally, the competitor orientation dimension provides an intelligence foundation of current and future competitors that in turn, provides the action platform for the management of an organisation (Sorensen, 2009). Based on the analysis of this study, market orientation is predicted to support service industry organisations in facing competition. These findings also propose that market orientation impacts organisational performance significantly. (Sorensen, 2009) postulates that this linkage relies on organisations that operate in a dissimilar market environment with various strategies that are being utilised. In addition to that, as stated by past researchers (Bentes *et al.*, 2011), private institutions tend to focus more on external customers rather than internal customers. Therefore, maximising profit is their main objective.

As for LMX, the results of this study demonstrate that LMX is positively connected to performance of the organisation and upholds the idea that leaders' emotional affections are vital in organisational performance. Organisational performance could be improved if the followers feel more comfortable with the supervisor, while supervisors and followers are in a good relationship. Therefore, it is crucial for leaders and followers to work hand-in-hand to achieve an organisation's mission and objectives. For LMX to be effective, it is crucial that leaders employ the fitting style that matches to a specific follower as there is no unique style that can be fit to every follower. This is because every employee is considered an important asset that is valued, skilful and poses a challenge to substitute or duplicate (Abu Bakar & Ahmad, 2010). According to (Lee, 2008), leaders assign difficult and important assignments to followers whom they can trust and show loyalty to the organisation (Tierney & Farmer, 2002), which would result in the objectives being achieved and leading to superior organisational performance.

The results further establish that the transactional style of leadership does not impact organisational performance significantly. As indicated in past studies, these type of leaders are identified to utilise rewards to motivate their followers and are relying on predetermined commitments (Hallinger, 2003). This implies that employees work hard merely for the reward and would not be committed to achieving high organisational performance (Antonakis *et al.*, 2003; Bass & Avolio, 1994). In addition to that, a lack of involvement and participation in decision making would result in job stress among most of the employees and therefore, affect employees' individual performance and subsequently, overall performance of the organisations (Tork *et al.*, 2011). The findings concur with past studies (e.g. Bass, 1997; Kurland, Peretz & Hertz-Lazarowitz, 2010) that transactional leaders that manage their followers through the means of payments and penalty will suffer from a lack of emotional responsibility among followers. Therefore, it is not considered an effective style of leadership in the setting of the financial services industry.

Conclusion

This research characterises the study of leadership, market orientation, LMX and organisational performance from the theoretical and empirical perspectives. It was found that there is dearth in the research investigating the empirical study on leadership, market orientation, LMX and organisational performance in a country setting of Malaysia. Therefore, the framework of this research provides an opportunity to enhance our comprehension on how the perception on styles of leadership, market orientation, and LMX influence organisational performance. From the findings, it is established that market orientation and LMX significantly influence organisational performance.

One of the ways organisations can improve their business performance is through the creation of strategies that are market oriented (Wijesekara *et al.*, 2014). Theoretically, it is supported that organisations that have market sensing capabilities and are customer-focused will likely obtain superior organisational performance (Agarwal *et al.*, 2003) as firms that place high emphasis on customers will deliver products and services that are of superior value. Market oriented organisations constantly keep track with changes in customers' needs and tastes and they would respond to these changes accordingly. As a result, these organisations are able to deliver high quality products and service to their customers.

From the LMX perspective, the high quality relationship between a leader and followers enable a better comprehension of dyadic issues and enable both parties to easily tackle them, which would result in better performance, not only from the individual subordinates, but would result in better performance throughout the organisation. LMX was considered as a bridge between leader and subordinates, which exchanges between them result in the enhancement of subordinates' performance and responsibilities. Moreover, (Tariq *et al.*, 2014) suggest that LMX encourage employees to assume more responsibilities, be proactive, and become more committed to the organisation (Leach, 2005), which would ultimately lead to superior organisational performance. The findings of this study recognise that rapport between leaders, followers, and market orientation are the key elements in understanding the important constituents that influence organisational performance.

The present study also successfully bridged the gap by integrating the leadership, market orientation, LMX, and organisational performance constructs in a single framework. From the findings, it can be deduced that market orientation and LMX are more important for the financial services industry of Malaysia. As evidenced by the findings, it further underlines that industry practitioners would have to focus on market orientation and LMX for the organisations to achieve better performance. This enables organisations to be in a healthy financial state that enable them to compete with the rest in the market.

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