

Leadership Styles and Organizational Outcomes: A Study Across International Hubs

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Abstract

Leadership matters; it is crucial for the success of organizations and concerns building and maintaining effective teams. In every organization, the leader needs to motivate, improve efficiency, achieve growth and create a good atmosphere, clearly not an easy task in today's world. Leaders are constantly seeking to find which leadership style is the most effective to improve organizational outcomes and consequently achieve their goals. The purpose of the present article is to investigate the relationship between leadership styles and the organizational outcomes (considering effectiveness, job satisfaction, and extra effort). A multifactor leadership questionnaire, MLQ-5x Rater Form, was completed by a sample of 167 employees from different multinational companies. Based on the study, leaders need to adopt a more transformational leadership approach and avoid passive-avoidance attributes in order to increase positive organizational outcomes as well as company success and recognition. The scope of the research is limited to corporate sales hubs from 7 different companies and employees from 31 different nationalities.

Keywords: Leadership, transformational leadership, organizational leadership, organizational effectiveness, organizational shift

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There is not an organization today, whether large or small, local or global, profit or non-profit, governmental agency or non-governmental organization (NGO), that is immune to change (Kotter, 1998). The leaders are responsible for making sure people have the capacity to follow through those challenging times or changes (Stoltz, 1997). Yukl (2006) defined leadership as the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives. Northouse (2019) defined leadership as a process whereby an individual influences a group of individuals to achieve a common goal.

A wide range of leadership theories and styles are described in the literature. One of the most validated theories is “The Full-range Model of Leadership” (Bass & Avolio, 1994) and Multifactor Leadership Questionnaire (MLQ) from Bass and Avolio (2004). In fact, many researchers rely upon it in order to characterize better leadership styles trends (Alloubani et al., 2019; Awino, 2015; Barnes et al., 2013; Frooman et al., 2012; Tigchelaar & Bekhet, 2015; Kueenzi, 2019; Miranda, 2019; Purvi et al., 2019; Shrestha, 2012; Yahaya & Ebrahim, 2015).

The Full-Range Model of Leadership Styles

Bass and Avolio's (2004) full range leadership development identified nine leadership factors and the development of transformational and transactional styles. Figure 1 describes the extent to which each of the nine leadership behaviors are active, passive, effective and ineffective, and the frequency with which these behaviors are practiced within an organization. Nine factors are grouped as either a transformational, transactional, or passive-avoidance style (Bass & Avolio, 2004).

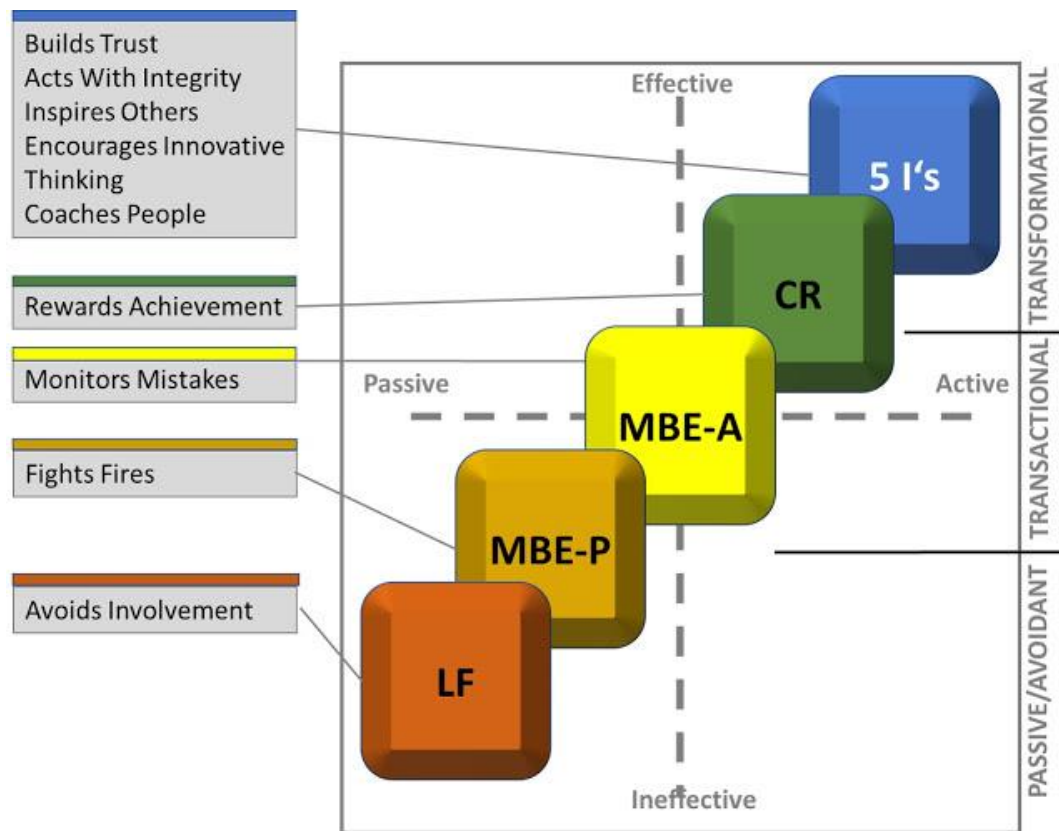
The Transformational Style

The transformational style based on Bass and Avolio (1994), is the most active and effective behavior and exhibits five main characteristics:

- Idealized attributes (having a high level of trust in employees).
- Idealized behavior (having the ability to communicate a sense of purpose).

Figure 1

The Full Range Leadership Model Visualizing Different Types of Leadership



Note. Extracted from Multifactor Leadership Questionnaire (MLQ, 2004).

- Inspirational motivation (having the ability to communicate important purposes in simple ways, arouses team spirit with enthusiasm and optimism).
- Intellectual stimulation (having the ability to promote intelligence, stimulation, and problem solving).
- Individualized consideration (having the ability to recognize and promote individuality among employees).

Based on these characteristics, Baker (2013) explained that transformational leaders are able to establish strong relationships with followers and use these relationships to inspire followers to go beyond what they believe they can accomplish. The transformational leader is able to communicate a mutually desirable and inspirational vision of the future and create a sense of commitment and loyalty towards the goals of the organization (Baker, 2013; Bass, 1985).

The Transactional Style

The transactional style is a task-oriented style in which the leader focusses primarily on task completion and rewards those who are compliant and achieve the directed goals. It also involves the use of corrective criticism, negative feedback and negative reinforcement for non-compliance or lack of achievement (Northouse, 2001). Transactional leader behaviors do not address employees' needs, motivations, or development, and workaholic patterns may be modelled and rewarded (Graham, 1995).

Based on Bass (1990), Bass and Avolio (1997), and Mester et al., (2003) transactional factors include three factors:

- Contingent reward (involves an interaction between the leader and the follower in which the leader uses rewards, promises, and praise to motivate followers to achieve performance levels contracted by both

parties).

- Management by exception: Active (occurs when the leader monitors followers' performance for deviations from rules and standards, taking corrective action in anticipation of irregularities).

The Passive-Avoidance Style

The passive-avoidance style is characterized by leaders who avoid decision-making, the provision of rewards, and the provision of positive or negative feedback to their employees, with the leader clearly abdicating responsibility to others (Bass & Avolio, 1997; Mester et al., 2003). Passive leaders avoid identifying and clarifying potential problem areas, getting involved, setting standards, and monitoring for results. This leadership style has most of the time a negative effect on leadership results. Bass and Avolio (2004) further defined the passive / avoidant leadership by establishing two dimensions: Management by Exception: Passive (MBE-P) and Laissez-Faire Leadership (LF).

- Management by exception: Passive (occurs when the leader waits passively for mistakes to occur, intervening only if standards are not met).
- Laissez-Faire (identifies leaders who tend to avoid involvement. This leadership style could be easily defined as "non-leadership").

Organizational Outcomes

The MLQ survey measures the survey respondent's perceptions about the leader's contributions to organizational outcomes: Effectiveness, job satisfaction, and extra effort (Avolio et al., 2004):

- Effectiveness (The leader is effective in meeting employees' job-related needs, in representing them to higher authority and in meeting organizational requirements).
- Job satisfaction (The leader uses methods of leadership that are mutually satisfying).
- Extra effort (The leader gets employees to do more than they expected to do, heightens their desire to succeed, and

increases their willingness to try harder).

Leadership styles

Leadership styles were first researched in the 1920s with studies using surveys reporting that favorable attitudes toward supervision helped achieve employees' job satisfaction (Bass, 1990). Several studies conducted during the 1950s and 1960s investigating how managers could use their leadership behaviors to increase employees' level of job satisfaction (Northouse, 2001). These studies confirmed the significance of leadership in making differences in employee's job satisfaction (Bass, 1990). Furthermore, Yousef (2000) showed that leadership behavior was positively related to job satisfaction and therefore managers needed to adopt appropriate leadership behaviors in order to improve it. Leadership styles affect a range of factors such as job satisfaction, performance, turnover intention, and stress (Chen & Silverthorne, 2005) and so they contribute to organizational success (Rad & Yarmohammadian, 2006). Yousef (2000) argued that theories developed and tested in Western organizations were still valid for non-Western countries. Limsila and Ogunlana (2008) indicated that transformational leadership style had a positive impact on work performance and organizational commitment of subordinates.

Methods

The Case Study Tool

The study uses the MLQ from Bass and Avolio (2004). Web-based MLQ surveys (Microsoft forms – 45 Questions) were administered to multinational hubs targeting different employees' nationalities and companies. Employees' answers referred to their first line manager or local leader. To answer the research questions in this study, respondents selected discrete Likert-type scale choices (scale of 5), thus providing quantifiable data to measure the degree of their perceptions among the variables. The participation was voluntary and anonymous. The study described the relationship between employees' perception of their immediate leader's full-range leadership theory (Antonakis & House, 2002; Bass, 1985; Bass & Avolio, 2004) to the employees' perception of their own organizational outcomes: effectiveness, job satisfaction, and extra effort. In

detail, transformational scale had 20 questions, transactional scale and passive-avoidance scale had 8 questions and finally organizational outcomes had 9 questions. The data gathered were transferred to the statistical package SPSS (Statistical Package for Social Sciences) in order to run the model analysis. The scale reliability was evaluated using Cronbach's alpha.

Goals and Hypothesis

The purpose of this quantitative study was to examine the degree to which leadership styles are associated with employees' perception of their leader's influence on organizational outcomes (effectiveness, job satisfaction, and extra effort) and to understand which leadership style (Transformational, Transactional, or Passive-Avoidance) has a significant correlation and encourages a positive increase on organizational outcomes in order to help and advice the future managers and leaders. The present study aims to identify which leadership style has a significant positive correlation and consequently encourages a positive increase on organizational outcomes. A framework model was designed with three hypotheses, one for each style. Transformational and transactional hypothesis (H1, H2) were considered with significant correlation and with positive organizational outcomes and passive-avoidance

(H3) with significant correlation and with negative organizational outcomes.

Results

General overview

The sample of the study, which includes 167 respondents, is rather balanced in gender and is relatively young; 75% of the respondents were born between 1980 and 2000. This workforce also has a high level of education; 35.3% have a bachelor's degree, 56.3% have a master's degree and 1.2% have a doctorate. Also, workers from the study have a certain level of previous working experience with different companies as well as stability in their present company; 67% of the respondents have worked in at least more than 3 companies. The country with more respondents is Spain (52).

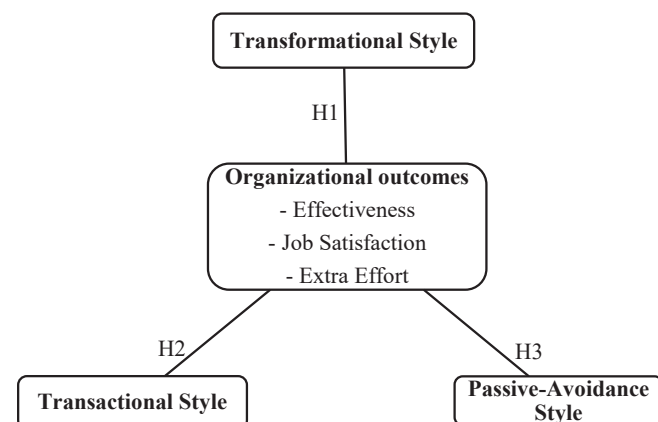
Mean calculation, reliability, and interpretation

Table 1 displays the mean calculation of the perceived leadership styles in the companies and the perceived organizational outcomes by the employees. Three main types of leadership were assessed: the transformational, the transactional and the passive-avoidance leadership style. The results in Table 1 show that the Transformational Style has the highest mean of 3.67 and a standard deviation of .81, followed by the Transactional Style with a mean of 3.30 and a standard deviation of .64. The least perceived style is the Passive-Avoidance, with a mean of 1.99 and a standard deviation of .80.

Cronbach's alpha was conducted to assess the reliability and internal consistency for each of

Figure 2

Conceptual Leadership Styles and Organizational Outcomes Framework Overview of the Researcher



Note. Independent Variables: Transformational, Transactional, and Passive-Avoidance Styles. Dependent Variables: Organizational Outcomes (Effectiveness, Job Satisfaction and Extra Effort).

Table 1

Mean and SD Analysis Transformational, Transactional, Laissez-Faire, and Organizational Outcomes

Leadership Style	N	Mean	SD
Transformational	167	3.6719	.81262
Transactional	167	3.3024	.64841
Passive-Avoidance	167	1.9910	.80363
Organizational Outcomes	167	3.8137	.95099

Note. Field data, 2019

the surveys' scales. George and Mallery (2003) suggested that for alphas below 70% the results could be questionable. The higher the Cronbach's alpha calculation, the better the scale is at representing what it purports to represent. The lower the Cronbach's alpha calculation, the less reliable it is to draw associations with the data. In the present study, the transformational leadership construct or scale, under the MLQ, has a Cronbach's alpha of .95 or 95%. Organizational outcomes has a Cronbach's alpha of 93% and passive-avoidance style has an alpha of 83%. Finally, the transactional style has an alpha of 71%.

The respondents perceived a prevalent use of transformational style by their leaders in front of adversities and organizational challenges. However, transactional style is well present too, meaning that inside these organizational environments there is a

high culture of rewarding for specific goals. On the other hand, the Passive-Avoidance has the lowest mean. From the results, one can also infer that leaders may exhibit varying degrees of different styles, since the styles are not mutually exclusive.

Which leadership Style has a Significant Correlation and Encourages a Positive Increase on Organizational Outcomes?

Table 2 presents the results of bivariate correlation based on Pearson's correlation statistics. Transformational and transactional leadership styles are strongly and positively correlated with overall organizational outcomes ($p < .01$). On the other hand, passive-avoidance leadership is strongly and negatively correlated with overall organizational outcomes ($p < .01$).

Table 2

Bivariate Correlation Analysis Transformational, Transactional, and Laissez-Faire to Organizational Outcomes Effects (Pearson)

		Transformational	Transactional	Passive-Avoidance
Organizational	Pearson	.885**	.570**	-.484**
Outcomes	Sig. (bilateral)	.000	.133	.000
	N	167	167	167

Note. Field data, 2019. **. Correlation is significant at the .01 level (2-tailed),

*Correlation is significant at the .05 level (2-tailed).

Table 3

Regression Analysis, R² Statistics

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.897a	.805	.801	.4201

Note. Field data, 2019

Table 4

Model Fit Results, ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	120.826	3	40.275	224.022	.000 ^b
Residual	29.304	163	.180		
Total	150.130	166			

a. Predictors: (Constant), Passive-Avoidance, Transactional, Transformational

b. Dependent variable: Organizational Outcomes

Note. Field data, 2019

Table 5
Regressions Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Coefficients	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.787	.244		3.232	.001		
Transformational	.950	.056	.812	16.869	.000	.517	1.936
1 Transactional	-.021	.063	-.014	-.339	.735	.657	1.521
Passive-Avoidance	-.198	.047	-.167	-4.168	.000	.746	1.341

Note. Field data, 2019 **Correlation is significant at the .01 level (2-tailed), *Correlation is significant at the .05 level (2-tailed).

Multiple Regression Analysis

The multiple regression analysis was carried out to estimate the prediction of leadership styles (independent variables) on organizational outcomes (dependent variable). Table 3 presents a summary of the model in which the item of interest is adjusted R^2 statistics, which is .80.

Table 4 presents the analysis of ANOVA results, also known as model fit. It is important to highlight that the results show that F-statistics is $p < .01$, meaning the model has power to predict organizational outcomes from leadership style scores.

Table 5 presents the results of the coefficients of the regression model. Firstly, these results show that the transformational leadership significantly encourages a positive increase on organizational outcomes, standardized $\beta = .81$, ($p < .01$). Secondly, the passive-avoidance style encourages a negative increase on organizational outcomes, standardized $\beta = .17$ ($p < .01$). Lastly, the transactional leadership style is not conclusive ($p > .01$).

Multicollinearity statistics show tolerance figures ranging from .52 to .75, while variation inflation factors (VIF) ranged from 1.34 to 1.94. Figures suggest that multicollinearity is not suspected amongst the independent variable. (Tolerance $> .1$, VIF < 10.0).

Discussions

All in all, the correlation analysis shows that transformational leadership has strong and positive correlations with organizational outcomes; that transactional leadership has a significant and positive correlation with organizational outcomes; and that passive-avoidance leadership has a negative significant correlation with organizational

outcomes. These correlation results are aligned with the three hypotheses (H1, H2, and H3).

Multiple regression analysis indicates that transformational leadership encouraged a significantly positive increase on organizational outcomes. If leaders exhibited more characteristics of transformational leadership, the employees had higher effectiveness, job satisfaction, and extra effort. Secondly, passive-avoidance style reports a significant decrease within the multiple regression. H1 and H3 were validated. Nonetheless, transactional leadership could not be validated and H2 was not confirmed by the present study. A suggestion for further analysis is to check each dimensions of the style (Contingent Reward, Management by Exception (Active)). This suggestion would also apply for transformational and passive-avoidance dimensions.

Finally organizational outcomes were composed of three subscales (Effectiveness, Job Satisfaction, and Extra Effort) but studied as a sole independent variable in order to have a broader perspective regarding the relationship of leadership and organization improvement. Further research could potential analyze the variance (and possible covariance) in all three sub-constructs between the diverse leadership styles.

Conclusions

Based on these results, leadership trends on multinational environments can potentially benefit from moving towards a more transformational style. Each leader, first line manager, supervisor, or team leader may improve organization outcomes by adopting transformational traits and behaviors

while eliminating passive-avoidance attitudes. A change in leadership mind-set can be accomplished through training interventions and improved process procedures emphasizing transformational leadership attributes and behaviors.

Bearing in mind all these data, companies could improve organizational outcomes by promoting leaders who are able to build trust in their followers, who inspire power and pride, and who become reference models for their followers. These leaders have positive and highly valuated behaviors, like dominance, consciousness, self-control, a high moral judgment, optimism, and self-efficiency. They articulate, in simple ways, shared goals and mutual understanding of what is right and important, and provide visions of what is possible and how to attain it. They enhance meaning and promote positive expectations about what needs to be done. Finally, leaders who question their own beliefs, assumptions, and values when appropriate and are able to coach people and treat each individual uniquely.

Also companies may encourage the mindset change of leaders who wait for problems to appear before taking corrective actions and have a reactive mentality, who tend to avoid involvement and responsibilities and isolate themselves in the curriculum. By applying the mentioned recommendations, the leadership style in every company will evolve to a more transformational style, while the passive-avoidance style will be decreased at lower levels. Consequently, the organizational outcomes (Effectiveness, Job Satisfaction, and Extra effort) will improve positively, something that every company is looking for.



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