



# The Impact of Leadership style as a Moderator Variable on the Relationship between Leadership practices and Organizational Performance Analytical Study on Jordanian Commercial Banks

## Article Info

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## ABSTRACT

The purpose of the study is to examine the impact of Leadership both transformational and transactional style as a Moderator Variable on the Relationship between leadership practices and Organizational Performance, Analytical Study on Commercial Banks on Jordan. The questionnaire was developed and distributed to the higher managerial employees and the middle managerial employees (General Manager, Assistant General Manager, head of department, assistant head of department and Branch manager). The researchers used the multiple regression and hierarchy regression analysis to measure the impact of Leadership practices on Organizational Performance and leadership style both transformational and transactional style as a Moderator Variable on the Relationship between leadership practices and Organizational Performance. The present study of the relationship between leadership practices and organizational performance had an positive effect, also the interaction between leadership practices and leadership style (transformational and transactional style) were positive. To add to the current problems that Iraq is facing now, a dispute between Iraq's federal government and Kurdistan's regional government over foreign investment in Kurdistan's oil reserves have risen even more with very fast developments in the country which will show its effect on the FDI patterns in petroleum sector.

**Keywords:** Leadership, Style, Practices, Performance, Banks, Jordan.

## 1. Introduction

The Leadership can be the key factor influencing the success of strategies and for creating competitive advantage in a dynamic environment. Leadership is an key function of management which helps to achieve an effectiveness and efficiencies of an organizational performance both financial and nonfinancial. Where leadership can be defined as the relationship between an individual and groups built around some common interest wherein the group behaves in a manner directed by the leader ( shastri, shashi Mishra & Sinha, 2010).

Where leadership can be affected the behavior of their followers by using specific practices as (Team building, supporting, mentoring, rewarding, consulting). Also, leadership transformational and transactional style is considered as factor that has a major influence on the performance of organizations (Wang et al. 2005). On the other hand, organizational both financial and nonfinancial performance is important indicator for organization success; where in our study we did focus on the banking sector in Jordan.

### **Theoretical background:**

**Leadership Style:** The leadership literature considers two styles of leadership: transformational and transactional. Where using transactional style to motivate employees by using tangible rewards, while the transformational style uses intangible rewards.

- 1- Transformational leadership: is the process of pursuing collective goals through the mutual tapping of leaders and followers motive bases toward the achievement of the intended change.( Burns, 1978).
- 2- Transactional leadership: refers to a dynamic exchange between leaders and their subordinates, in which the leader establishes specific goals, monitors programs, and identifies rewards that can be expected upon goal achievement (Yukl, 1998).

**Leadership practices:** depending on the study done by Yukl's (1989) mention that there are fourteen leadership practices that has been subsequently developed into a widely used measure of leadership known as the managerial practices survey where it's included the following: networking, team building, supporting, mentoring, consulting, delegating, planning, clarifying. In our study we focused on some of them.

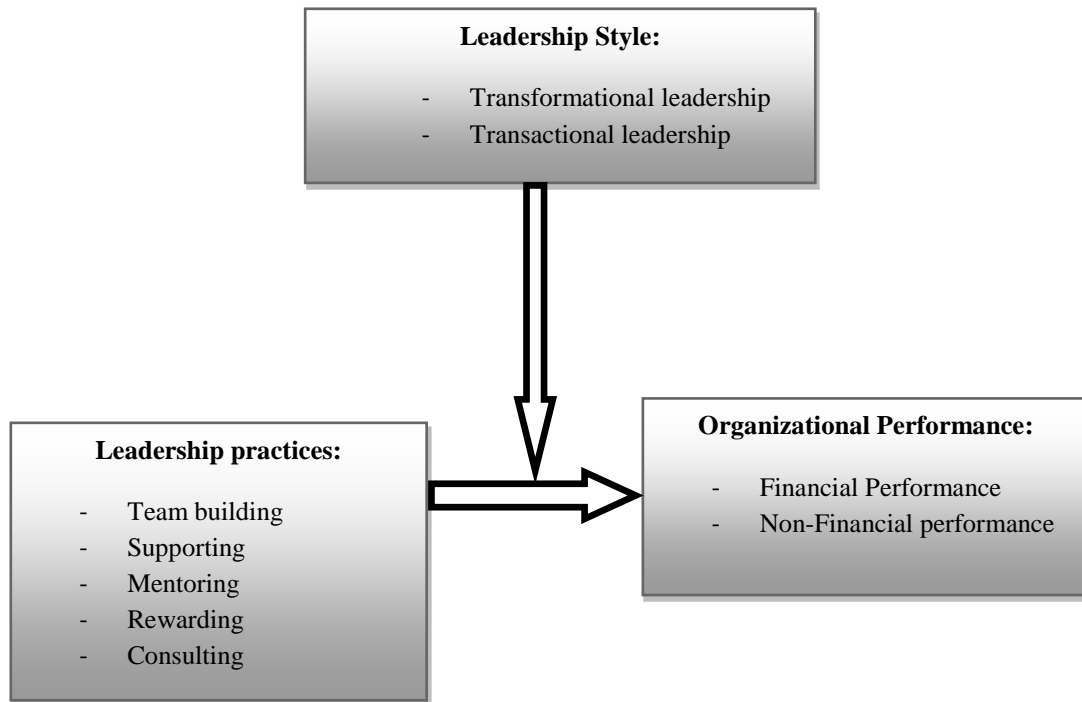
- 1- Team building: where it is the process of turning a group of individuals who work together from collection of individuals doing related tasks to a cohesive unit where the efforts of the team members synergistically to yield results that couldn't have been by the individuals alone (Mcshane & Von Glinow, 2003).
- 2- Supporting: where it can be defined as the process of enhancing feeling expatriates may have toward their organizations to help achieving great performance (Guzzo el al. 1994)

- 3- **Mentoring:** is the process of mutually interdependent, empathic, empowering relationship that create personal growth, development, and enrichment for mentors (Ragins, 2005).
- 4- **Rewarding:** is the process of inducing employees to deliver high quality services by encourage them with monetary and non-monetary gifts (Yava et al. 2003).
- 5- **Consulting:** is the process by which guiding the employees to adjust their way of accomplish the work( Yukl's, 1989).

**Organizational performance:** The organizational performance was discussed in many researches , because of the importance of performance in developing organizations, The definition of organization performance started as an instrument and measurement that used to evaluate and assess the successfulness of organizations to create and deliver value to their external and internal stakeholders.(Antony & Bhattachatyya,2010), where Moullin,2007 defined organizational performance as a measure used by organizations to manage well their effectiveness, and deliver value to stakeholders and customers. Where it consist of two aspects as a following:

- 1- **Financial performance:** By eliminating the pollution, and to reuse waste materials.(Hart,1997; Taylor,1992). Green management can generate many opportunities to cut costs and in the end increase profit. There are three opportunities to increase revenues (better access to certain market; differentiating product; and selling pollution-control technology). (Ambec & Lanoie, 2008).
- 2- **Non- financial performance:** relates to the abilities of manufacturing plants to reduce air emissions, effluent waste, and solid waste and the ability to decrease consumption of hazardous, toxic materials, decrease in frequency for environmental accidents, and improvement in an enterprises' environmental situation, and also relates to the manufacturing plants capabilities to more Efficiently produce and deliver products to customers, where it consists of increase in the amount of goods delivered on time, decrease in inventory levels, decrease in scrape rate, increase in product quality and line .(Zhu et al.,2008 ).

### Research Model and Hypotheses:



**Figure: (1)**  
**Research Model**

### Hypotheses:

This research is based on Three main hypotheses in null format as below:

Hypotheses 1: Leadership Practices has no significant impact on overall dimensions of Organizational Performance.

Hypotheses 2: whenever the Transformational Leadership Style has been applied, the impact of Leadership Practice on Organizational performance is low.

Hypotheses 3: whenever the Transactional Leadership Style has been applied, the impact of Leadership Practice on Organizational performance is low.

## **Methodology:**

### **Population and data Collection:**

The populations of this study represented by Commercial Banks in Jordan which are consist of 13 Banks in Jordan, our sample of the study was (4) Jordanian Banks( Arab Bank, Housing Bank, Jordan Kuwait bank, Cairo Amman bank) . The unit sample was the higher managerial employees and the middle managerial employees (General Manager, Assistant General Manager, Branch Manager, head of department, assistant head of department) and there were (143) surveys distributed.

**Data collection method:** The study depends on self-administrated questionnaire as a main tool to obtain data. Which consist of four parts. The **first part gathered** demographic information. The **second** part covered the Leadership Practices (Team Building, Supporting, Mentoring, Rewarding, and Consulting) through twenty questions adopted from previous studies( Yukl's, 1989).The **third part covered** organizational performance in Two dimensions ( financial performance and Non- Financial Performance) through nine questions adopted from previous studies (Ragins, 2005). The fourth part covered Leadership Style (Transformational Leadership Style and Transactional Leadership Style) through eight questions adopted from previous studies(), and all questions have been asked based on 5\_Likert scale.

### **Validity and reliability**

Factor analysis was firstly used to assess the underlying relationships of a large number of items and to determine whether they can be reduced to a smaller set of factor. The validity test relies on face and content validity, where both the questionnaire and the study model has been distributed to a number of professors in the department of business and marketing to be evaluated. Based on their valuable notes, adjustments to the questionnaire were made.

Cronbach alpha coefficient was used to test the reliability, the results show that the overall instruments Cronbach alpha coefficient is 0.875, the leadership practices coefficient is .0.742, the organizational performance coefficient is 0.72, and Leadership styles coefficient is 0.641. Table (1) (Sekaran & Bougie, 2009).

**Table (1) Results of Measure Validation**

<i>items</i>	<i>Factor loadings</i>	<i>Cronbach alpha</i>
<b>Leadership Style (LS)</b>	0.523-0.614	0.641
<i>Transformational Leadership (TRL)</i>	0.689-0.755	0.651
<i>transactional Leadership (TL)</i>	0.541-0.633	0.642
<i>Leadership Practices(LP)</i>	0.589-0.650	0.742
<b>Team Building (TB)</b>	0.435-0.739	0.562
<i>Supporting (S)</i>	0.614-0.725	0.771
<i>Mentoring (M)</i>	0.365-.521	0.654
<i>Rewarding (R)</i>	0.525-0.625	0.687
<i>Consulting (C)</i>	0.458-0.632	0.632
<b>Organizational Performance (OP)</b>	0.652-0.625	0.722
<b>Financial Performance(FP)</b>	0.458-.645	0.668
<b>Non- Financial Performance (NFP)</b>	0.586-0.758	.651
<b>All items</b>		0.875

## Data Analysis Results

- I.** The descriptive statistics and correlation matrix for all variables represented in table (2). Multiple regression analysis was used to evaluate the effect of Leadership Practices(Team Building, Supporting, Mentoring, Rewarding, Consulting) on Organizational Performance Table (3), and Transactional Leadership Style as a Moderate Variable between Leadership practices and organizational performance used Hierarchy regression analysis table (4). And Transformational Leadership Style as a Moderate Variable between Leadership practices and organizational performance used Hierarchy regression analysis table (5).

**Table (2) Descriptive Statistics and Correlation Matrix**

<i>Variables</i>	<i>LS</i>	<i>TRL</i>	<i>TL</i>	<i>LP</i>	<i>TB</i>	<i>S</i>	<i>M</i>	<i>R</i>	<i>C</i>	<i>OP</i>
<b>Mean</b>	4.321	5.221	3.225	4.241	3.665	4.578	3.251	4.207	4.025	4.002
<b>S.D</b>	0.541	0.421	0.542	0.425	0.584	0.625	0.745	0.558	0.687	0.745
<b>LS</b>	1									

<i>TRL</i>	.558**	1								
<i>TL</i>	.452**	.658**	1							
<i>LP</i>	.651**	.487**	.625**	1						
<i>TB</i>	.447**	.562**	.741**	.685**	1					
<i>S</i>	.554**	.785**	.854**	.414**	.587**	1				
<i>M</i>	.447**	.524**	.587**	.433**	.765**	.587**	1			
<i>R</i>	.458**	.521**	.625**	.554**	.785**	.624**	.687**	1		
<i>C</i>	.541**	.541**	.458**	.456**	.658**	.618**	.452**	.365**	1	
<i>OP</i>	.458**	.471**	.621**	.460**	.551**	.623**	.681**	.350**	.655**	1

\*\* $P < 0.05$

## Major hypothesis Testing

**Table (3)**  
**Multi Regression results: Leadership Practices factors**  
**On Organizational Performance**

Variables	Beta	t	Sig.*
Team Building	.336	1.073	.000*
Supporting	.325	1.397	.002*
Mentoring	.065	2.54	.096
Rewarding	.358	1.005	.001*
Consulting	.402	2.22	.000*

( $R^2 = .325$ ;  $F=10.356$ ) \*  $p \leq 0.05$

**Table (4)**  
**Hierarchy Regression results: transactional Leadership Style**  
**As a Moderate Variable between Leadership Practices**  
**And Organizational Performance**

Variables	Beta	t	Sig.*
Leadership Practices	.414	3.025	.000*
Interaction between Leadership Practices and transactional Leadership	.389	2.541	.001*
$(R^2 = .264; F=11.235; R^2 \text{ change} = .164) * p \leq 0.05$			

**Table (5)**  
**Hierarchy Regression results: Transformational Leadership Style**  
**As a Moderate Variable between Leadership Practices**  
**And Organizational Performance**

Variables	Beta	t	Sig.*
Leadership Practices	.414	3.025	.000*
Interaction between Leadership Practices and Transformational Leadership	.296	3.001	.002*
$(R^2 = .402; F=11.235; R^2 \text{ change} = .175) * p \leq 0.05$			

**Table (5)**  
**Respondents Demographic Characteristics**

<b>Age:</b>	30 Yrs and below	0.8%
	31-40	10.5%
	41-50	43.0%
	51-60	20.5%
	61 Yrs and more	25.2%
<b>Gender:</b>	male	72.4%
	female	27.6%
<b>Education:</b>	High School	15.7%
	After H. School	5.4%
	Bachelor	66.7%
	PhD	12.2%
<b>Job Title:</b>	General Managerial	10.7%



Assistance General Managerial	20.3%
Head of Department	16.2%
Assistance Head of Department	16.5%
Branch Manager	36.3%
<b><i>No. of respondents: (154)</i></b>	

## Conclusion

The study focused on the leadership practices variables through five dimensions: Team Building, Supporting, Mentoring, Rewarding, and Consulting, while organizational performance consists of two dimensions: financial performance, and non-financial performance. While the leadership styles focused on h two dimensions: transformational and transactional leadership style. The main purpose of this study is to measure the impact of Leadership practices in the Jordanian commercial banks in enhancing organizational performance through testing the effect of leadership practices variabls which find that the team building , supporting, rewarding and consulting is the most effecting on organizational performance whereby there is no effect from mentoring . also the study find that the interaction between leadership practices and transactional leadership boosting the organizational performance by ( $R^2$  change= 0.175, and Beata= 0.296), and the interaction between leadership practice and transformational leadership also boosting the organizational performance by( $R^2$  change= 0.164 , and Beata= 0.389) . (Ragins, 2005), ( Yukl's, 1989).

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