

# The Relationship between Leadership Practices and Organizational Performance

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## Abstract

The aim of the study is to inspect the effect of leadership - in both its transactional and transformational styles - as a mediator variable on the relation between leadership practices and organizational performance. The survey was established and allocated for upper and middle administrative employees. Researchers utilized the multiple recession and hierarchy recession inquiry to calculate the impact of leadership practices on organizational performance and leadership styles - transactional and transformational.

The present study of the relation between leadership practices and organizational performance had a positive effect, in addition to the interaction between leadership practices and styles - transactional and transformational.

**Keywords:** leadership practices, performance, organization, Jordan

## 1. Introduction

Leadership can be the key factor influencing the success of strategies and creating competitive advantages in a dynamic environment. Leadership is also considered a key utility of administration, which could help with achieving the effectiveness and efficiencies of an organizational performance - both financial and nonfinancial. Leadership could be defined as, "the relation between an individual and a group that is constructed round mutual interests, in which the group act in a fashion set to them by the leader." (Shastri, Shashi Mishra and Sinha, 2010) Leadership could be affected by the behaviour of the supporters by using specific practices as Team Building, Supporting, Mentoring, Rewarding, and Consulting. Likewise, leadership transactional and transformational styles are considered as aspects which have a major impact on the performance of organizations. (Wang et al., 2005)

On the other hand, organizational performance, both financial and nonfinancial, is an important indicator for organization success; wherein our study we did focus on the banking sector in Jordan.

## 2. Theoretical Background

**Leadership Style** is divided into (2) main styles, which are the Transactional and the Transformational. The transactional style is used to motivate employees by using tangible rewards while the transformational style uses intangible rewards.

1. **Transactional Leadership** is the vibrant interchange between leaders and their supporters, where he/she inaugurates particular aims, observers programs, and classifies payments upon goal achievement. (Yukl, 1998)
2. **Transformational Leadership** is the procedure of pursuing cooperative aims throughout the reciprocated tapping of both leaders and supporters' motive bases in the direction of the anticipated change. (Burns, 1978)

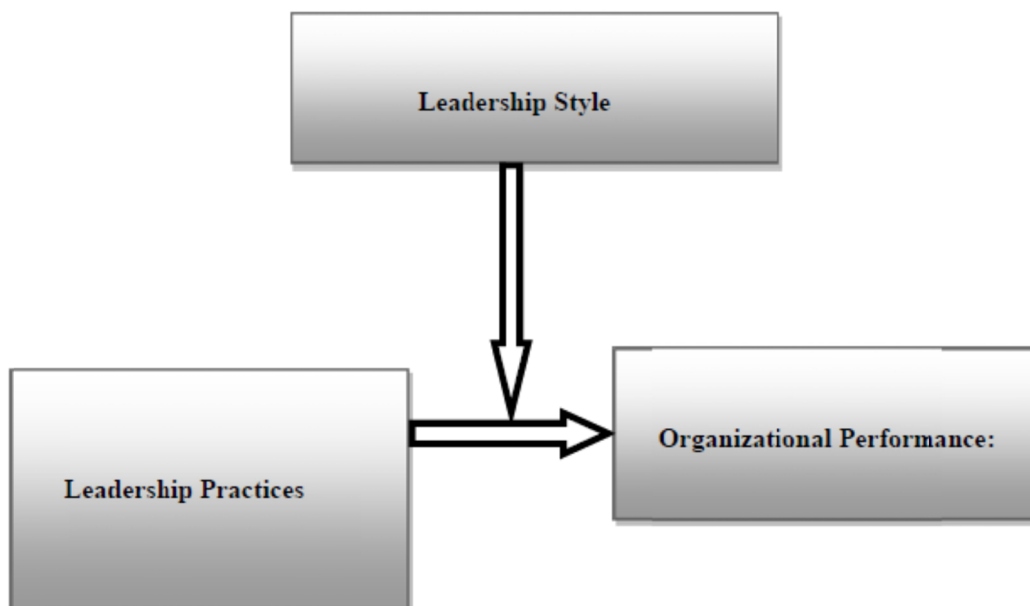
**Leadership Practices** depending on the study done by Yukl (1989), there are (14) leadership practices which have been successively advanced into a broadly used procedure, otherwise known as "The Managerial Practices' Study," where it's included the following: Networking, Team Building, Supporting, Mentoring, Consulting, Delegating, Planning, and Clarifying. In our study, we only focused on some of them.

1. **Team Building** is the procedure of altering a crowd that works together from a group of individuals performing correlated errands into a unified entity, whom exertions would return better results in oppose to the exertions performed by an individual on his/her own. (Mcshane and Von Glinow, 2003)
2. **Supporting** where it can be defined as the process of enhancing feeling expatriates may have toward their organizations to help to achieve great performance. (Guzzo et al. 1994)
3. **Mentoring** is the process of establishing personal growth and enhancement for advisors through a mutually dependent and awarding relationship. (Ragins, 2005)
4. **Rewarding** is the process of inducing employees to deliver high-quality services by encouraging 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 accomplishing the work. (Yukl, 1989)

**Organizational Performance** was discussed in many types of research, due to its significance in emerging organizations. It was first defined as, “a tool which is applied by assess organization success, and provide assets to internal and external investors,” (Antony and Bhattachatyya, 2010) whereas Moullin (2007) defined it as “a measure which is used by organizations to accomplish efficiency, and bring about the value intended to the investors and clients. Where it consist of (2) aspects of a following:

1. **Financial Performance**, which can be achieved by eradicating pollution, and recycling waste resources. (Hart, 1997; Taylor, 1992) Green management can yield numerous opportunity to reduce cost, and eventually, increase revenue in (3) different ways (Better Entrée to Particular Markets; Distinguishing Products; and Selling Pollution-Control Technology). (Ambec and Lanoie, 2008)
2. **Non-Financial Performance** which is related to genetically altering plants in order to lessen their air discharges, emission and solid wastes, as well as the consumption of contaminated materials. Furthermore, it reduces the frequency at which environmental incidents occur, and improves the readiness to act during environmental situations. It is similarly related to adjusting plants so as to harvest and provide supplies for the clients, in which there is an upsurge in the total of goods delivered on time, quality and line, and a diminution in inventory levels, and scrape rates. (Zhu et al., 2008)

### 3. Research Model



## 4. Methodology

### 4.1 Population

This study was embodied by Commercial Banks in Jordan, which involved (13) Banks. Our sample only included (4) of these Banks (Arab Bank; Housing Bank; Jordan Kuwait Bank; and Cairo Amman Bank); the number of distributed surveys was (143). The unit sample was consistent of upper and middle administrative employees.

### 4.2 Collection Data Tool

The study relies on surveys as the chief tool, which are consistent of (4) parts. **The first one** collected demographic data. **The second** enclosed Leadership Practices (Team Building, Supporting, Mentoring, Rewarding, and Consulting) via (20) questions employed from former studies, while **the third** enclosed the (2) dimensions of organizational performance - Financial and Non-Financial Performance - via (10) questions, also employed from former studies. **The fourth** enclosed the Leadership Styles - Transactional and Transformational Leadership Styles - via (8) questions employed from. All questions were answered based on the 5-Likert scale.

### 4.3 Data Analysis

Descriptive Statistics and Correlation Matrix for all variables were denoted in Table 1. Multi Regression Results was used to assess the outcome of Leadership Practices on Organizational Performance in Table 2 while both Transactional and Transformational Leadership Style as a Moderate Variable between Leadership Practices and Organizational Performance used Hierarchy regression analysis in Tables 3 and 4, respectively.

Table 1. Descriptive statistics and correlation matrix

Variables	LS	TRL	TL	LP	TB	S	M	R	C	OP
<b>Means</b>	4.321	5.221	3.225	4.241	3.665	4.578	3.251	4.207	4.025	<b>4.002</b>
<b>SD</b>	.541	.421	.542	.425	.584	.625	.745	.558	.687	<b>.745</b>
<b>LS</b>	1									
<b>TRL</b>	.558**	1								
<b>TL</b>	.452**	.658**	1							
<b>LP</b>	.651**	.487**	.625**	1						
<b>TB</b>	.447**	.562**	.741**	.685**	1					
<b>S</b>	.554**	.785**	.854**	.414**	.587**	1	1			
<b>M</b>	.447**	.524**	.587**	.433**	.765**	.587**	1			
<b>R</b>	.458**	.521**	.625**	.554**	.785**	.624**	.687**	1		
<b>C</b>	.541**	.541**	.458**	.456**	.658**	.618**	.452**	.365**	1	
<b>OP</b>	.458**	.471**	.621**	.460**	.551**	.623**	.681**	.350**	.655**	<b>1</b>
<b>** P &lt; 0.05</b>										

### 4.4 Hypothesis Testing

Table 2. Multi regression results

Variables	$\beta$	T	SIG.*
<b>Team Building</b>	0.336	1.073	0.000*
<b>Supporting</b>	0.325	1.397	0.002*
<b>Mentoring</b>	0.065	2.54	0.096
<b>Rewarding</b>	0.358	1.005	0.001*
<b>Consulting</b>	0.402	2.22	0.000*
<b>(R<sup>2</sup> = 0.325 ; F = 10.356) * P ≤ 0.05</b>			

Table 3. Hierarchy regression results

Variables	$\beta$	T	SIG.*
<b>Leadership Practices</b>	0.414	3.025	0.000*
<b>Interaction between Leadership Practices and Transactional Leadership</b>	0.389	2.541	0.001*
<b>(R<sup>2</sup> = 0.264 ; F = 11.235 ; R<sup>2</sup> Change = 0.164) * P ≤ 0.05</b>			

Table 4. Hierarchy regression results

Variables	$\beta$	T	SIG.*
<b>Leadership Practices</b>	0.414	3.025	0.000*
<b>Interaction between Leadership Practices and Transformational Leadership</b>	0.296	3.001	0.002*
<b>(R<sup>2</sup> = 0.402 ; F = 11.235 ; R<sup>2</sup> Change = 0.175) * P ≤ 0.05</b>			

## 5. Conclusion

The study deals with leadership practices variable through (5) dimensions: Team Building, Supporting, Mentoring, Rewarding, and Consulting; while organizational performance consists of (2) dimensions: financial performance, and non-financial performance. While the leadership styles dealt with the study through (2) dimensions: transactional and transformational leadership style.

The main aim of the study is to measure the effect of Leadership practices in the Jordanian commercial banks in enhancing organizational performance whereby through testing the team building and supporting, rewarding and consulting is most affecting on organizational performance and there is no effect from mentoring. The interaction between leadership practices and transactional leadership leverage the organizational performance, (R<sup>2</sup> Change = 0.175, and  $\beta$  = 0.296) and the interaction between leadership practice and transformational leadership also leverage the organizational performance. (R<sup>2</sup> Change = 0.164, and  $\beta$  = 0.389)

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