



The effect of leadership style on financial performance: a  
case of telecommunication companies in Jordan

**ARKAN WALID MOHAMMAD AL-SMADI**

College of Business  
Division of Finance and Banking  
Universiti Utara Malaysia

The effect of leadership style on financial performance: a  
Case of telecommunication companies in Jordan

**ARKAN WALID MOHAMMAD AL-SMADI**

A thesis submitted to the  
fulfillment of the requirement for the degree  
Master of Science (Finance)  
Othman Yeop Abdullah Graduate School of Business  
(Finance and Banking)  
Universiti Utara Malaysia  
2011

## **PERMISSION TO USE**

In presenting this report in partial fulfillment of the requirements for a postgraduate degree from Universiti Utara Malaysia, I agree that the Universiti library may make it freely available for inspection. I further agree that permission for copying of this report in any manner, in whole or in part, for scholarly purpose may be granted by my supervisor Mr. Abdul Manaf Bin Bohari or, in his absence by the Dean of Research and Postgraduate Studies, College of Business. It is understood that any copying or publication or use of this project or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me or to the Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Requests for the grant of permission to copy or to make other use of materials in this project, in whole or in part should be addressed to:

Dean of Research and Postgraduate Studies  
Othman Yeop Abdullah Graduate School of Business  
Universiti Utara Malaysia  
06010 Sintok, Kedah Darulaman  
Malaysia

## **ABSTRACT**

With the advent of the technological revolution, economic globalization and the fundamental change of the social production method, human capital and social capital has become the key factors for a business organization to achieve competitive advantage (Li and Hu, 2007). This paper discusses the effect of leadership types on telecommunication organizational financial performance in Jordan. In other words, the study attempts to investigate whether there is a significant relationship between leadership types and organizational financial performance in selected telecommunication organizations in Jordan. The number of respondent is 120 managers of four organizations in Amman-Jordan. Their perspectives were translated into reports based on transformational, transactional and situational leadership styles. Based on regression analysis, it is clearly seen that there is only one independent variable that is significant which is transformational leadership that affecting the telecommunication organizational financial performance in Jordan.

## ACKNOWLEDGMENTS

First of all, my praise to Allah S.W.T whose blessing and guidance have helped me to complete my dissertation. Peace be upon our Prophet Mohammad S.A.W, who has given light to mankind.

I hereby want to thank my supervisor, Mr. Abdul Manaf Bin Bohari, for his invaluable advice, constant guidance, great patience, understanding, insight, knowledge, attention, kindness and encouragement throughout my study in Universiti Utara Malaysia.

My highest and most sincere appreciation goes to my beloved parents, brothers Read ,Forqan and sisters, also my brothers in law (Sammer, ammer ,Abdullah) .who have always encouraged and guided me to be independent, and reached the highest peak of my aspirations. I will always be very grateful to my beloved father Walid mohammad al-smadi for providing, supporting, and advising me with great patience and attention in everything that I had done to complete not only this thesis but also my master program. Without this kind gesture probably I would not have been satisfied with myself as I am now.

I would like to express my high appreciation to my lecturers in the division of Finance and Banking, College of Business, and to all my friends especially, Ammar, Bshar Najed, Hazem, Ammer, Isam, Rajai. Thanks again to everyone including those who I have probably forgotten to mention here.

## TABLE OF CONTENTS

Permission To Use	iii
Abstract	iv
Acknowledgements	v
Table Of Contents	vi
List Of Tables	viii
List Of Figures	ix
List Of Abbreviations	x

### CHAPTER 1: BACKGROUND

1.0	Introduction	1
1.1	Problem Statement	3
1.2	Research Question	4
1.3	Research Objective	4
1.4	Scope Of Research	4
1.5	Significance And Limitation Of The Research	5
1.6	Summary	6

### CHAPTER TWO: LITERATURE REVIEW

2.0	Introduction	7
2.1	Types Of Leaders	8
2.2	Leadership Styles	9
2.2.1	Transformational Leadership	9
2.2.2	Transactional Leadership	10
2.2.3	Situational Leadership	11
2.3	Process Of Leadership	12
2.4	Organization Financial Performance	14
2.4.1	Definition Of Organization Financial Performance	14
2.4.2	Financial Performance	15
2.4.3	Related Work	18

2.5	Summary	19
-----	---------	----

### **CHAPTER THREE : METHODOLOGY**

3.0	Introduction	20
3.1	Theoretical Framework	20
3.2	Instrumentation	22
3.2.1	Transformational Leadership	22
3.2.2	Transactional Leadership	22
3.2.3	Situational Leadership	23
3.2.4	Financial Performance	24
3.3	Data Collection	26
3.3.1	Sampling	26
3.4	Data Analysis	27

### **CHAPTER FOUR : ANALYSIS AND FINDING**

4.0	Introduction	28
4.1	Personal Information	28
4.2	Descriptive Analysis	32
4.3	Regression Analysis	34
4.4	Correlation	36

### **CHAPTER FIVE : DISCUSSION AND CONCLUSION**

5.0	Introduction	40
5.1	Discussion	40
5.2	Implication Of The Study	41
5.2.1	Implication To Academicals Perspective	41
5.2.2	Implication To Practitioners	41
5.3	Limitation Of The Study	42
5.4	Conclusion	42

## LIST OF TABLES

4.1 Gender.....	28
4.2 Age.....	29
4.3 Education Level .....	30
4.4 Experience.....	30
4.5 Mean and Std. Deviation For Transformational Leadership.....	32
4.6 Mean and Std. Deviation For Transactional Leadership.....	33
4.7 Mean and Std. Deviation For Situational Leadership .....	33
4.8 Mean and Std. Deviation For Financial Performance .....	34
4.9 Model Summary .....	35
4.10 Regression Analysis .....	35
4.11 Correlation between transformational leadership and financial performance .....	36
4.12 Correlation between transactional leadership and financial performance .....	37
4.13 Correlation between situational leadership and financial performance .....	38

## LIST OF FIGURES

Figure 3.1 : Study Framework	21
Figure 4.1 : Gender	29
Figure 4.2 : Age	29
Figure 4.3 : Education Level	30
Figure 4.4 : Experience	31



# **CHAPTER ONE**

## **BACKGROUND**

### **1.0 INTRODUCTION**

An organization is a social set up, which has a boundary that divides it from its environment, pursues its own collective goals, and controls its own performance. In a formal organization, interactions are rationally coordinated and directed through time on a continuous basis. The person at the helm of affairs is usually the leader (Ekeland, 2005).

Fry et al., (2005) mentioned that the field of performance excellence has emphasized the need to go beyond reporting financial metrics to include non-financial predictors of financial performance such as customer satisfaction, organizational outputs such as quality and delivery, process or internal operating measures, and employee commitment and growth. Recent developments in strategic scorecards, performance measurement and quality, also pointed out the pivotal role that employee well-being, commitment, and productivity played in predicting other key strategic performance indicators. Of these performance categories, employee commitment was the central and leading indicator. Moreover, a high degree of workplace spirituality and spiritual leadership, as a driver of organizational commitment and productivity, is essential to optimizing organizational performance (Fry and Matherly, 2006). Organization improve performance in order to anticipate change and develop new structures, effective leadership performance may be essential to ensure that change leads to increased effectiveness, efficiency and profitability (Erkutlu, 2008). Thus, it is encourage understanding the relationship between leadership and business performance is required.

Maddock and Fulton (1998) noted that the leadership and other organization processes of the organization should be as that can ensure maximum probability within all communications.

The contents of  
the thesis is for  
internal user  
only

## Reference

- Abdul Hadi b. Haji Mohd (2004). Leadership Behaviour and its Effectiveness from Subordinates Perception. Master Thesis. University Utara Malaysia.
- Agboli, M. & Chikwendu, C.U. (2006). Business environment and entrepreneurial activity in Nigeria: implications for industrial development, *The Journal of Modern Africa Studies*, Vol. 44, pp. 1-30. Cambridge University Press
- Annette, T. (2005). Charismatic leadership development: role of parental attachment style and parental psychological control. Retrieve 5<sup>th</sup> September 2009, from: [http://www.entrepreneur.com/tradejournals/article/136076045\\_1.html](http://www.entrepreneur.com/tradejournals/article/136076045_1.html)
- Bass, B., M. (1990). Handbook of leadership: Theory, research and managerial applications. New York: Free Press.
- Bass, B., M. (1985). Leadership and Performance Beyond Expectation. NY: Free Press.
- Blanchard, K. (1991). Situational view of leadership, *Executive Excellence*, Vol. 8, pp. 22-23.
- Blanchard, K.H., & Hersey, P. (1996). "Great ideas", Training and Development, January, pp. 42-7.
- Block, L. (2003). The leadership-culture connection: An exploratory investigation. *Leadership & Organization Development Journal*. Vol. 24, No. 6, pp. 318-334.
- Bommer, W.H., Johnson, J.L., Rich, G.A., Podsakoff, P.M. & MacKenzie, S.B. (1995). On the interchangeability of objective & subjective measures of employee performance: A meta-analysis. *Personnel Psychology*, 48 (3), 587-605.
- Bowery, C. (2004). Profiles in leadership from the battlefields of Virginia. *AMACOM*.
- Brown, D., S. (1992). Subordinates view of ineffective executive behaviour. The George Washington University. Retrieve 5<sup>th</sup> September 2009, from: <http://www.emeraldinsight.com>.
- Conger, J., A. & Kanungo, R., N. (1998). Charismatic leadership in organizations. Thousand Oaks, CA: Sage.
- Conger, J., A. (1999). Charismatic and transformational leadership in organizations: An insider's perspective on these developing streams of research. *Leadership Quarterly*. 10: 145-169.
- Densten, I., L. & Gray, J., H. (2003). Leadership application organization effectiveness, Retrieve 9<sup>th</sup> September 2009, from: <http://www.cda-acd.forces.gc.ca/cfli/engraph/research/pdf/50.pdf>.
- Dubrin, A., J. (2007). Leadership research findings, practice, and skills 5th edition, Houghton Mifflin Company.

- Dumdum, U. R., Lowe, K. B., & Avolio, B. J. (2002). A meta-analysis of transformational and transactional leadership correlates of effectiveness and satisfaction: An update and extension. In B.J. Avolio & F. J. Yammarino (Eds.), *Transformational and charismatic leadership: the road ahead* (pp. 35-66). Amsterdam: JAI.
- Ekeland, T., P. (2005). The relationship among affective organizational commitment, transformational leadership style, and unit organizational effectiveness within the corps of cadets at Texas A & M University.
- Erkutlu, H. (2008). The impact of transformational leadership on organizational and leadership effectiveness: The Turkish case. *Journal of Management Development*. Vol. 27 No. 7. pp. 708-726.
- Enayati, J. (2003). The research: Effective communication and decision-making in Diverse Groups. Retrieve 1<sup>th</sup> September 2009, from: <http://www.earthsummit2002.org/msp/book/prelims.pdf>
- Frances, H. & Cohen, P., M. (1999). *Leader to Leader*. San Francisco, CA: Jossey-Bass Publishers.
- Fry, L. W., Vitucci, S. & Cedillo, M. (2005). Spiritual Leadership and army transformation: Theory, measurement, and establishing a baseline. *The Leadership Quarterly*, 16, 5. 835- 862.
- Fry, L., W. & Whittington, J., L. (2005). Avolio, B., Gardner, W. & Walumbwa, F. (Eds.). Authentic Leadership Theory and Practice: Origins, Effects, and Development Monographs in *Leadership and Management*, Vol. 3, 183-200.
- Jing, F.F. & Avery, G.C. (2008). Missing Links In Understanding The Relationship Between Leadership And Organizational Performance. *International Business & Economics Research Journal*. Vol.7, No. 5.
- Hersey, P, Blanchard, K (1996). Great ideas revisited: revisiting the life-cycle theory of leadership, *Training and Development*, Vol. 50 No.1, pp. 7-42.
- Hesberg, F. (1968), "One more time: how do you motivate employees?", *Havard Business Review*, pp. 53-62.
- Hesberg, F., Maunser, B. and Snyderman, B. (1968), *The Motivation to work*, John Wiley and Sons Inc., New York, NY.
- Hoogh, A.H.B. de, Hartog, D.N. den, Koopman, P.L., Berg, H.T., Berg, P.T. van den, Weide, J.G. van der & Wilderom, C.P.M. (2004) Charismatic leadership, environmental dynamism & performance. *European Journal of Work and Organizational Psychology*, 13(4): 447-471.
- Hoover, W., Eloranta, E., Holmstrom, J. & Huttunen, K. ( 2001). *Managing the demand-supply chain: value innovations for customer satisfaction*, John Wiley & sons.

- Hofstede, G.H. (1967), "Herzberg's dual-factor theory of job satisfaction and motivation: a review of the evidence and criticism", *Personal Psychology*, pp. 369-89.
- Gerhard, P., J. (2002). *International Operations Management*, Copenhagen Business school press.
- George, J. (2000). Emotion and leadership: The role of emotional intelligence. *Human Relations Conference*, Vol. 53, No.8.
- Goldman, A. (2006). *Dysfunctional Leadership and organization*, Emerald Group Publishing Ltd.
- Judge, T. A. & Piccolo, R. F. (2004). Transformational and transactional leadership: A meta-analytic test of their relative validity. *Journal of Applied Psychology*, 89, 755-768.
- Kerr, S. (1999). Definition of Motivation, (on-line) Available <http://core.ecu.edu/psyc/nowaczykr/intro>
- Kets, V. (1996). Leaders Who Make a Difference. *European Management Journal*, Vol 14, No. 5, pp. 486-493.
- Kraines, G. (2001). *Accountability Leadership: How to Strengthen Productivity Through Sound Managerial Leadership*, Career press incorporated.
- Koene, B.A.S., Vogelaar, A.L.W. & Soeters, J.L. (2002). Leadership effects on organizational climate & financial performance: Local leadership effect in chain organizations. *The leadership Quarterly*, 13: 193-215.
- London, M. (2001). *Leadership development: paths to self-insight and professional growth*, Lawrence Erlbaum Associates, Incorporated.
- Maddock, R., C. & Fulton, R., L. (1998). *Motivation, Emotions, And Leadership: The Silent Side Of Management*. Quorum Books, Arkansas.
- Maslow, A.H.(1958). *Motivation & Personality*, Harper & Row Publisher, New York, NY.
- Messick, D., M. & Kramer R., M. (2004). *Psychology of leadership: some new approaches*. Lawrence Erlbaum Associates, Incorporated.
- Mccann, J. (2004), *Organizational Effectiveness: Changing Concepts for Changing Environments*. *Journal of Human Resource Planning*, Vol. 27.
- McClelland, R.T. (1987). Factors affecting Job Satisfaction of Employee Adults with Multiple Sclerosis. *Journal of Rehabilitation*. Retrieved on 12 August 2006 from [www.findarticles.com](http://www.findarticles.com)
- McShane, D. (2003). Affect-and Cognition-Based Trust as Foundations For Interpersonal Cooperation in Organizations. *Academy of Management Journal*, 38:24-59.
- McShane, S., L. & Von Glinow, M. A. (2005). *Organization Behaviour*, (3<sup>rd</sup> edition) McGraw-Hill, New York

- Meindl, J.R., Ehrlich, S.B., & Dukerich, J. M. (1985). The Romance of Leadership. *Administrative Science Quarterly*, 30: 78-102.
- Nevis, J. R. (1983). The romance of leadership. *Administrative Science Quarterly*, 30: 78-102.
- Nielsen, J. & Landauer, T. (2001). A mathematical model of the finding of Usability problems. in acm inter chi'93. netherlands: Amsterdam.
- Northouse, P., G. (2001). *Leadership Theory and Practice*, (2<sup>nd</sup> edition). Thousand Oaks, CA: Sage Publications, Inc.
- Ormrod, J., E. (2003). *Educational psychology: Developing learners* (4th ed.). Upper Saddle River, NJ: Prentice Hall.
- Osborne, M. (2001). *Organizational Behavior 2001-2003*. Wiley Publishing.
- Paley, N. (2004). *Successful Business Planning: Energizing Your Company's Potential*, Thorogood.
- Pounder, J., S. (2001). New leadership and university organization effectiveness: exploring the relationship. *Leadership & Organization Development Journal*, Vol. 22, No. 6, pp. 281-290.
- Pfeffer, J. (1981). Management as symbolic action. In L.L. Cummings & B. M. Staw (Eds.), *Research in Organizational Behavior*, Greenwich, CT: JAI Press.
- Salem, H. (2003). *Organizational Performance Management and Measurement*, *United Nation Economic and Social Council*.
- Sarros, J. C., & Santora, J.C. (2001). The transformational-transactional leadership model in practice. *Leadership & Organization Development Journal*, 22(8) 383-393.
- Schermerhorn, J.R. (2003). *Managing Organizational Behavior*. 5<sup>th</sup> . ED. New York: John Willy & Sons.
- Schneider, M. (2002). A Stakeholder Model of Organizational Leadership. Vol. 13, No. 2, pp. 209-220.
- Shamir, B, House, R., & Arthur, M. B. (1993). The Motivation Effect of Charismatic leadership: A self-concept based theory. *Organization Science*, 4: 1-17.
- Sidani, Y., M. (2007). Perceptions of leader transformational ability: The role of leader speech and follower self-esteem. *Journal of Management Development*. Vol. 26, No. 8, pp. 710-722.
- Watkiss, S. (2004). *Motivation: A Study of the Motivations for Members of a Volunteer Organisation*. Rugby.

Yap, C., S., Soh, C., P., P. & Raman, K., S. (1992). Information Systems Success Factors in Small Business. *OMEGA International Journal of Management Science*, 20 (5/6), 597-600.

Yousef, D., A. (1998). Correlates of perceived leadership style in culturally mixed environment. *Leadership & Organization Development Journal*, Vol. 19, No. 5, pp. 275-284.