



**EFFECT OF LEADERSHIP STYLE ON ORGANIZATIONAL PERFORMANCE AS
VIEWED FROM HUMAN RESOURCE MANAGEMENT STRATEGY**

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ABSTRACT

This study was to examine the relationships among the leadership style, the organizational performance and the human resource management strategy. In addition, this study also explored the effects of the interaction of both the leadership style and the human resource management strategy on the organizational performance. This study reviewed 246 valid questionnaires sent to the corporate owners, executors and operators of Kaohsiung's Nanzi Export Processing Zone in south Taiwan. It was found that (1) The charismatic, transformational and visionary of the leadership style are positively related to the organizational performance, (2) The development, motivational and transfer strategy of the human resource strategy are positively related to the leadership style, (3) Both development and motivational strategies are positively related to the organizational performance, and (4) The interaction of the leadership style and the human resource management strategy significantly contributes to the organizational performance. The findings of this study were expected to provide references to a corporate body in operating the human resource management strategy and developing the leadership style.

Keywords: Leadership style, human resource management strategy, organizational performance

INTRODUCTION

In the environment of fierce competition, an enterprise faces multiple challenges. Thus, it has become the primary target to create competitive advantages of how an enterprise draws up strategies suitable to improve its operational performance

(Jaramilo *et al.*, 2005). In the past, enterprises emphasized financial performance. But now, information development has transformed their competitive basis into the intangible assets and the leadership performance from previous tangible financial performance. Therefore, it should include non-financial indices such as quality and customer satisfaction, which *Corresponding author. E-mail: charles@mail.cjcu.edu.tw. Tel: 86-06-2785123. Ext: 2157. can be used for an enterprise to effectively evaluate its operational performance and consolidate competitive advantages. However, if an enterprise wants to improve the organizational performance, the leadership style of administrative supervisors will play a crucial role in its overall operational performance. When reviewing literature related to leadership and performance, we found that most papers emphasized effects of the leadership style on organizational promise and performance, but few discussed correlations amongst the leadership style, the organizational performance and the human resource management strategy. It was also seldom considered that the leadership style may be a key factor to affect its smooth progresses if managerial activities can be implemented. It is noteworthy that human resource has been regarded as another important factor for an organization to gain

competitive advantages and realize organizational targets since the emergence and prevalence of firm resource-based views (Barney, 2001; Wright *et al.*, 2001). “Human” is the theoretical basis of establishing the important assets for an organization. The success of many organizations possibly results from the leadership sagacity and willpower, the technical prominence and innovation, the excellent quality or the distinguished reputation, but all these relate to “human”. Thus since 1980, the human resource management strategy has become an important emerging issue for human resource management (Terpstra and Rozell, 1993; Huang, 1997). On top of this, the human resource management strategy still follow the principle of “decision-making of a strategy must be done ahead of the strategy of implementation”. Therefore, the study integrated the leadership style, organizational performance and the human resource management strategy together to carry out an in-depth discussion on their relationship, and the results were expected as a reference for domestic and foreign enterprises to know more about the relationships among the human resource management strategy, the leadership style and the organizational performance.

LITERATURE REVIEW AND HYPOTHESES

The dimensions of the leadership style

With research evolution in different ages, many scholars presented successively different viewpoints on leadership connotation. Stogdill (1948) thought that the leadership style means a kind of method and capability aimed at realizing organizational targets and further affect all organizational activities. Fiedler (1969) presented that the leadership style refers to a kind of relationship that someone uses his rights and methods to make many people work together for a common task. In modern leadership style theories, five leadership styles were presented, including (1) charismatic leadership, (2) transactional leadership, (3) transformational leadership, (4) visionary leadership, and (5) culture-based leadership (Yukl, 1994; Bass, 1990; Bass, 1985; Sashkin, 1996; Sergiovanni, 1987). Therefore these styles were adopted as the dimensions of the leadership style in this study. The dimensions of the organizational performance Choi and Mueller (1992) thought that an enterprise should simultaneously consider financial and nonfinancial indices for performance evaluation. In other words, qualification and quantification factors should be considered at the same time, because such non-financial indices as employee morale and product quality are very Wang et al. 3925 important for its long-term operation. In the research on financial performance indices, Van de Ven and Ferry (1980)

thought that the traditional financial performance was the most common indices used to measure organizations by researchers, including return on investment, sales revenue and earning power and so on, in which sales revenue was the most common one. Therefore, in this study, the organizational performance measurement methods presented by Venkatraman and Ramanujam (1986), such as the financial performance, business performance and organizational effectiveness, were adopted as the dimensions of the organizational performance. The dimensions of the human resource management strategy The human resource management strategy is a set of inner-organizational personal management strategies. The effective application of the human resource management strategy in different situations can help enterprises use employees effectively for the completion of organizational targets. According to definitions of the human resource management strategy made by many scholars and experts, many researchers attempted to set types of the human resource management strategy. However, classifications of the human resource management strategy made by different scholars are different from each other, for example, the inducement strategy, the investment strategy and the participation strategy presented by Dyer (1988), and three other types of human resource

management strategies such as accumulation, utilization and facilitation addressed by Schuler (1989). Therefore, the development strategy, the motivational strategy, the reinforcement strategy and the transfer strategy presented by Huang (1998) were taken as the dimensions of the human resource management strategy.

Relationship between the leadership style and the organizational performance

Relationship between leadership style and organizational performance has been discussed often. Most research results showed that the leadership style has a significant relation with the organizational performance, and different leadership styles may have a positive correlation or negative correlation with the organizational performance, depending on the variables used by researchers. Sun (2002) compared the leadership style with the leadership performance in schools and enterprises, and showed that the leadership style has a significantly positive correlation with the organizational performance in both schools and enterprises. Broadly speaking, the leadership performance is identical with the organizational performance. The transformational leadership has a positive correlation 3926 Afr. J. Bus. Manage. with the organizational performance, higher than the exchange leadership (Huang, 2006). Business management attributes their successes to the leadership efficiency, that

is, the leadership style of administrative supervisors has a considerable effect on the organizational performance (Terry, 1960). The leadership style of a leader has a considerable influence on the work performance of employees. It further indicates that the leadership style also affects the organizational performance. The leadership style determines the organizational performance that subordinates need realize, and gives suggestions and feedback to execution. In this course, subordinates can know the requirements of their role and executives can know demands of subordinates at the same time. Thus under the leadership style of executives, subordinates can make organizational requested performance and get their rewards. Research results showed that the leadership style has a significantly positive correlation with the organizational performance. Therefore, the leadership style should be properly and carefully used to guide and motivate subordinates (Elenkov, 2002). Campbell (1977) thought that when executives use their leadership style to concern, care and respect for employees, it would increase self-interests of employees in work as well as organizational promises, enable them to make better performance in work place and affect their job satisfaction. Howell and Frost (1989) and Bryman (1992) also presented that there is a positive relation

between the leadership style and the organizational performance. In accordance with the above discussion, the following relevant hypothesis was inferred in this study. Hypothesis 1 (H1): The leadership style has a significantly positive effect on the organizational performance.

Relationship between the human resource management strategy and the leadership style

Successful leaders should get rid of personal style and try their best to invite everyone to be part of leadership, and the leadership style mainly with the human resource management strategy will generate suitable strategies in time (Guo, 2004). Therefore, the human resource management strategy encouraging and training staff can impel leaders to show carefully their leadership style (Hewson, 1997). Organizational leaders should play the role of tactician, that is, the leadership style ought to take the human resource management strategy as the core (Qin, 1998). As for management, leadership contents should not be limited only to expressing different styles or caring employees and productive efficiency. And it is also a main point for the leadership style that, how leaders put forward human resource management strategy in the course of leading and organizing activities (Qiu, 2008). Hong (2005) expressed that leaders have to have the ability of using the human

resource management strategy in addition to their leadership style if expecting to lead an organizations to the sustainable operation and management or ever-green foundation.

Strategy-oriented organizational leaders take the human resource management strategy as the core of organizational leadership. In an organizational environment, they are supposed to select a proper and effective human resource management strategy, and use a suitable leadership style to lead organizational members to their targets (Liao, 2005). Therefore, leaders take the human resource management strategy as the core of the leadership style and use the interaction of communication, excitation and integration to effectively implement the process of the human resource management strategy (Hong, 2005). In accordance with the above discussion, the following relevant hypothesis was inferred in this study. Hypothesis 2 (H2): The human resource management strategy has a significantly positive effect on the leadership style.

Relationship between the human resource management strategy and the organizational performance

When discussing relationship between the human resource management strategy and the organizational performance, Delaney and Huselid (1996) found that some of the more progressive human resource management strategies, 5 including careful

selection at appointment, training and incentive compensation, have a positive effect on the organizational performance. Li (2000) also found that such human resource management strategies as training, information sharing and participative management are helpful in promoting the organizational performance. Huselid (1995) proved by empirical study that a system with an optimal human resource management strategy (high-performance systems) can increase the organizational performance no matter what organizational strategic objectives of an enterprise are. Correspondingly, Delery and Doty (1996) claimed that an optimal human resource management strategy has a close relation with the organizational performance. In the past researches related to the human resource management strategy, it has been proved that human resource management strategy has a significant correlation with the management performance, productivity, financial performance and market value of an organization. In other words, the human resource management strategy has a positive correlation with the organizational performance (Arthur, 1994; Delery and Doty, 1996; Youndt, 1998; Huang, 2002). Huselid (1995) thought that effective human resource management strategies, including recruitment and selection, performance evaluation, incentive compensation, information sharing, attitude

assessment, complaint handling procedure, work design, labor participative management plans, performance rewards, etc., can promote the organizational performance and relate with the high organizational performance. Delaney and Huselid (1996) also indicated that innovative human resource management strategies such as careful selection, training and incentive compensation have a positive correlation with the organizational performance. In accordance with the above discussion, the following relevant hypothesis was inferred in this study.

Hypothesis 3 (H3): The human resource management strategy has a significantly positive effect on the organizational performance.

Correlations amongst the leadership style, the organizational performance and the human resource management strategy

He (2009) indicated that organizational leaders have to apply methods or techniques to maintain an efficient business operation. Therefore, they have to show different leadership styles appropriately and take planned human resource management strategies. Only in this way, the organizational performance can be expected to be promoted. The effective use of the human resource management strategy cooperated with a suitable leadership style can certainly promote the

organizational performance. Therefore, it would affect the organizational performance no matter whether the leadership style of the leaders is good or bad (Chen, 1997). Kleiman (1997) tried to connect the human resource management strategy with the organizational performance so as to enable each organization to show a high performance through the leadership style. As viewed from the human resource management strategy, Chien (2004) carried out the study on how the organizational performance is improved. The result showed that both the leadership style and the human resource management strategy are important factors affecting the organizational performance. In other words, the human resource management strategy really affects the organizational performance through the leadership style. In accordance with the above discussion, the following relevant hypothesis was inferred in this study.

Hypothesis 4 (H4): The human resource management strategy has a significantly moderating effect on the correlation between the leadership style and the organizational performance.

CONCLUSION

Charismatic leadership conforming to no conventional patterns and engaging in innovative and normative actions, besides introducing a development and inspiring strategic incentive system. When

subordinates' willingness and ability to work are low, they may show behavior deviation from rules and standards or even high proportion below the standards. If so, human resource management can adopt the position relocation change, discipline management or tutorial interview of the transference strategy. Also, based on active and passive management-by-exception, leaders can also take correction measures and make intervention through the transactional leadership. Talents are the most important assets of enterprises. In this market environment filled with competition, the key to success is to possess talents. Thus, if facing a group of high-working-capacity talents, an enterprise can introduce incentive systems and career development systems for implementation so as to realize organizational performance target. The above research results can prove that this study is not only correct in establishing literature review, data analysis method, research direction and theoretical framework but also can be combined with practice. Furthermore, the results of this study should have a reference value for enterprises to find subordinates suitable for the leadership style when implementing the human resource management strategy. For the sake of rigorousness, this study broadly collected domestic and foreign scholars' works and periodicals for in-depth discussion, established the conceptual

framework, made assumptions and inferences and then used questionnaire survey for verification. In theory, through such human resource management strategies as the development strategy, the motivational strategy, the enforcement strategy and the transfer strategy, this study has established an analysis model for relevance between different leadership styles and organizational performances. It can be offered for future relative research, as reference basis. In practice, different leadership styles presented in this study can be offered as a basis for enterprises to implement different human resource management strategies. In this way, an enterprise can promote recognition and devotion of employees for it under different strategies or leaderships and then furthermore create the overall organizational performance, besides different leadership styles can be used for different strategies. Therefore, this study has a reference value in both theory and practice.

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