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The impact of transformational leadership on organizational and leadership effectiveness: The Turkish case

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# The impact of transformational leadership on organizational and leadership effectiveness

## The Turkish case

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### Abstract

**Purpose** – The purpose of this paper is to examine the influence of leadership behaviors on both organizational and leader effectiveness at boutique hotels.

**Design/methodology/approach** – A total of 722 subjects (60 managers and 662 non-managerial employees) participated in this study from 60 boutique hotels. Participants were told that the study was designed to collect information on the leadership styles used by managers and on the satisfaction and commitment of employees in the hospitality workforce. Multifactor Leadership Questionnaire, Organizational Commitment Questionnaire and Job Descriptive Index were used to assess leadership behaviors of the boutique hotels' first-line managers and commitment and satisfaction levels of employees, respectively.

**Findings** – There are significant relations between leadership behaviors and both organizational and leadership effectiveness. The findings support the suggestion in the literature that transformational leadership behaviors stimulate organizational commitment and job satisfaction in the hospitality industry.

**Research limitations/implications** – There are several limitations that could be future research topics, such as hotels' source of funding, demographic characteristics of the participants. There is a question about the generalizability of these findings to other hospitality organizations such as four or five-star hotels.

**Originality/value** – This paper explores an aspect of leadership in the hospitality industry that is often neglected. It provides compelling evidence for the importance of continuing the efforts to understand the nature of the leadership behaviors-effectiveness connection.

**Keywords** Leadership, Transformational leadership, Organizational effectiveness, Turkey, Hospitality management

**Paper type** Research paper

### 1. Introduction

As increasing demands are made on all hospitality organizations to improve their performance, to anticipate change and develop new structures, effective leadership performance may be essential to ensure that change leads to increased effectiveness, efficiency and profitability (Pittaway *et al.*, 1998; Zhao and Merna, 1992; Slattery and Olsen, 1984). Although researchers cannot necessarily assume that “better” leadership leads to “better” business performance, some understanding of the relationship between leadership and business performance is required. Leadership as a subject has been somewhat neglected within hospitality research and as a result few studies exist which investigate leadership in the specific context of the industry (Pittaway *et al.*, 1998; Mullins, 1992).



The hospitality industry tends to be labor intensive and has increasingly harsh environmental demands imposed upon it, suggesting that leadership skills may help organizations to utilize the available human resources more effectively. As a result understanding and promoting effective “leadership” may be of considerable importance in coping and dealing successfully with environmental pressures. Those organizations that actively consider leadership approaches and use them to help educate managers on the complexities of leading people may benefit.

Leadership can be defined as a social influence process. It involves determining the group or organization’s objectives, encouraging behavior in pursuit of these objectives, and influencing group maintenance and culture (Yukl, 1994). It is a group phenomenon; there are no leaders without followers.

Managers use different leadership behaviors in work settings. Their behaviors will have direct effects on employee outcomes. Adequate use of their behaviors may result in higher employee satisfaction, commitment, and productivity. Therefore, effective use of leader behavior will increase the effectiveness of both the leader and the organization.

This study proposes to investigate the extent to which employees’ job satisfaction and organizational commitment are related to the leadership behaviors at boutique hotels in Turkey.

“Boutique” is a term to describe intimate, usually luxurious or quirky hotel environments. Boutique hotels differentiate themselves from larger chain/branded hotels and motels by providing personalized accommodation and services/facilities. Typically, boutique hotels are furnished in a stylish, sometimes themed manner. With three to 100 rooms, most of them are smaller than mainstream hotels, but they are usually equipped with telephone and wireless internet, air conditioning, minibars and cable/pay TV. Guests are attended to by 24-hour hotel staff. Many boutique hotels have on-site dining facilities, and the majority offer bars and lounges which may also be open to the general public.

Although boutique hotels are becoming more popular in the hospitality industry, there is no study of the influence of leadership behaviors on both organizational and leader effectiveness at such hotels. That is why boutique hotels were the focus of this study. It is expected that the results of this study might be a starting point for researchers and practitioners who are interested in effective leadership styles in these types of hotels.

First, the construct of transformational and transactional leadership behaviors introduced by Bass (1985) is explained. Second, both leadership and organizational effectiveness that are the dependent variables of this study is discussed. Third, predictions about work-related individual outcomes are derived such as employee satisfaction and commitment to managers using different leadership behaviors at boutique hotels.

## 2. Conceptual background and hypotheses

### 2.1 *A model of transformational transactional leadership*

Transformational leadership refers to the leader moving the follower beyond immediate self-interests through idealized influence (charisma), inspiration, intellectual stimulation, or individualized consideration. It elevates the follower’s level of maturity and ideals as well as concerns for achievement, self actualization, and the well-being of

others, the organization, and society. Idealized influence and inspirational leadership are displayed when the leader envisions a desirable future, articulates how it can be reached, sets an example to be followed, sets high standards of performance, and shows determination and confidence. Followers want to identify with such leadership. Intellectual stimulation is displayed when the leader helps followers to become more innovative and creative. Individualized consideration is displayed when leaders pay attention to the developmental needs of followers and support and coach the development of their followers. The leaders delegate assignments as opportunities for growth (Bass, 1985, 1999; Burns, 1978; Yammarino *et al.*, 1993; Bass and Avolio, 1993, 1994, 1995; Conger *et al.*, 2000; Judge and Bono, 2000; Pounder, 2001; Avolio *et al.*, 1999; Sosik *et al.*, 1998; Bass *et al.*, 1987).

On the other hand, transactional leadership refers to the exchange relationship between leader and follower to meet their own self-interests. It may take the form of contingent reward in which the leader clarifies for the follower through direction or participation what the follower needs to do to be rewarded for the effort. It may take the form of active management-by-exception, in which the leader monitors the follower's performance and takes corrective action if the follower fails to meet standards. Or it may take the form of passive leadership, in which the leader practices passive managing-by-exception by waiting for problems to arise before taking corrective action or is *laissez-faire* and avoids taking any action (Bass, 1985, 1998, 1999; Burns, 1978; Yammarino *et al.*, 1993; Northouse, 2001; Gibson *et al.*, 1997; Bass and Avolio, 1994; Podsakoff and Schriesheim, 1985).

### 2.2 Leadership effectiveness

The definition of leadership effectiveness differs from writer to writer; one major difference is the type of consequence or outcome selected as the effectiveness criterion (Yukl, 1989). The outcomes include such diverse things as group performance, attainment of group goals, group survival, group growth, group preparedness, and group capacity to deal with crises, subordinate satisfaction with the leader, subordinate commitment to group goals, the psychological well-being and development of group members, and the leader's retention of status in the group.

The most commonly used measure of leader effectiveness is the extent to which the leader's group or organization performs its task successfully and attains its goals. In some cases, objective measures of performance or goal attainment are available such as profit growth, profit margin, sales increase, market share, sales relative to targeted sales, return on investment, productivity, cost per unit of output, etc. In other cases, subjective ratings of leader effectiveness are obtained from the leader's superiors, peers, or subordinates.

In this study, leader effectiveness was evaluated utilizing the subscales from the Job Descriptive Index (JDI), subordinate satisfaction with supervision and work.

### 2.3 Organizational effectiveness

Organizational effectiveness has served as a unifying theme for more than a century of research on the management and design of organizations, yet no universal theory has developed (Lewin and Minton, 1986). Several models have emerged for the study of organizational effectiveness, each of which has a unique emphasis including the goal model (Price, 1972), the legitimacy model (Zammuto, 1982), the strategic constituency

model (Connolly *et al.*, 1980) and the system resource model (Yuchtman and Seashore, 1987).

For the purposes of this research, organizational effectiveness is defined as the extent to which an organization, by the use of certain resources, fulfills its objectives without depleting its resources and without placing undue strain upon its members and/or society.

In this study, organizational effectiveness was evaluated by measuring the commitment of subordinates to the organization. Support for measuring organizational effectiveness by evaluating organizational commitment is found in the research conducted by Likert (1961, 1967), Steers (1977), Hunt *et al.* (1985), Hersey and Blanchard (1988), Allen and Meyer (1990) and Wilson (1996).

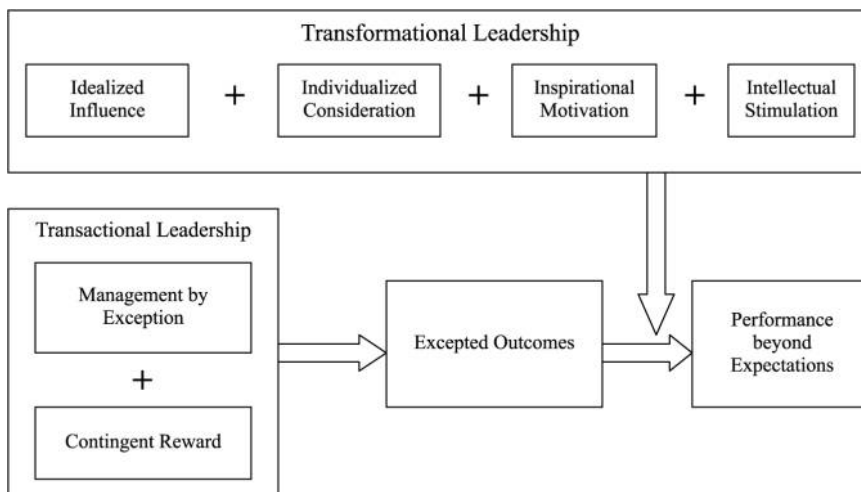
#### 2.4 Research on leader behaviors and effectiveness

Transformational leadership produces greater effects than transactional leadership (Bass and Avolio, 1990; Northouse, 2001; Dvir *et al.*, 2002; Waldman *et al.*, 2001).

While transactional leadership results in expected outcomes, transformational leadership results in performance that goes well beyond what is expected (see Figure 1).

In a meta-analysis of 39 studies in the transformational leadership literature, Lowe *et al.* (1996) found that individuals who exhibited transformational leadership were perceived to be more effective leaders with better work outcomes than were individuals who exhibited only transactional leadership. These findings were true for higher and lower level leaders as well as for leaders in public and private settings. Transformational leadership moves followers to accomplish more than expected. They become motivated to transcend their own self-interests for the good of the group or organization (Bass and Avolio, 1990; Northouse, 2001; Shamir, 1995).

Tracey and Hinkin (1994, 1996), Borchgrevink and Boster (1998) and Testa (2002) sought to explain the nature of transformational leadership in the hospitality industry.



Source: Bass and Avolio (1990, p.231)

Figure 1. The additive effect of transformational leadership

They suggested that major changes in the environment of hospitality businesses requires leaders who are able to holistically examine their organization, use vision to recognize what changes are required and manage those changes to fit with the organization's environment. Tracey and Hinkin considered the classical management approach, of management by control, to be unsuitable for the hospitality industry. Because continuous change is inevitable, they advocated management for adaptation through the use of transformational leadership.

*2.4.1 Satisfaction of subordinates with supervision and leadership behavior.* The subordinates' satisfaction with their supervision in organizations has been found to be related to the leadership behavior used by managers (Rahim, 1989; Rahim and Buntzman, 1989; Shim *et al.*, 2002; Yousef, 2000; Loke, 2001; McNeese-Smith, 1995, 1999; Ugboro and Obeng, 2000; Yukl, 1989; Tracey and Hinkin, 1996; Borchgrevink and Boster, 1998; Bass, 1999; Bass and Avolio, 1994, 2000). Lowe *et al.* (1996) performed 33 independent empirical studies using the Multifactor Leadership Questionnaire (MLQ) to study the relationships between leadership styles and leadership effectiveness. They concluded that there was a strong positive correlation between all the components of transformational leadership and subordinate satisfaction with supervision.

It was expected to find that subordinate satisfaction with supervision is positively related to transformational leadership behaviors used by boutique hotel managers.

*H1.* There is a significant relationship between transformational leadership behaviors and subordinate satisfaction with supervision.

*2.4.2 Subordinate's satisfaction with work and leadership behavior.* Studies by Rahim (1989), Rahim and Afza (1993), Rahim *et al.* (1994), Rahim and Psenicka (1996), Shim *et al.* (2002), Yousef (2000), Loke (2001), Lok and Crawford (1999), and McNeese-Smith (1995, 1997, 1999) indicated that leadership behaviors are positively related to job satisfaction. Bryman (1992) and Bass and Avolio (1994) found that all components of transformational leadership were related to subordinate work satisfaction.

It was expected to find that subordinate satisfaction at work is positively correlated with transformational leadership.

*H2.* There is a significant relationship between transformational leadership behaviors and subordinate satisfaction with work.

*2.4.3 Subordinate's commitment and leadership behavior.* Research on the effects of leadership behaviors and organizational commitment has shown that transformational leaders generate higher commitment from followers (Avolio, 1999; Bass, 1998; Howell and Avolio, 1993; Bycio *et al.*, 1995; Simon, 1994; Testa, 2002).

It was therefore expected that all transformational leadership components would be found to have a significant effect on subordinate commitment to the organization.

*H3.* There is a significant relationship between transformational leadership behaviors and the organizational commitment of subordinates.

### 3. Methodology

#### 3.1 Sample

The sample for this study was drawn from 60 boutique hotels in Turkey. These were randomly selected from the list of 498 boutique hotels in the country in 2004 (Turkish



Bureau of Statistics, 2005). In total, 32 of them were foreign-owned, 18 were locally owned, and ten were joint ventures. They ranged in size from 22 to 112 employees and eight to 68 guestrooms.

This study was deliberately completed in the summer months (July and August) because it is the busiest time for the hospitality industry in Turkey. Data be collected in the low season might not be representative of the workload or stress level experienced by management in a boutique hotel. There were some difficulties in getting the data; it was impossible, for example, to survey all the staff at one hotel in a single visit. Given the number of hotels studied, this worked out to a lot of visits.

Members of the research team visited the selected hotels on three occasions (for each of the three shifts). Managers and non-managerial employees were gathered during work time in one room where a six-page questionnaire was administered. Participants were told that the study was designed to collect information on the leadership styles used by managers and on the satisfaction and commitment of employees in the hospitality workforce. They were given confidentially assurances and told that participation was voluntary. The questionnaires were collected immediately.

A total of 722 subjects (60 managers and 662 non-managerial employees) participated in this study. Incomplete questionnaires reduced the sample size to 712 subjects (60 managers and 652 non-managerial employees).

The majority of sample members were male (72 per cent for non-managerial employees and 90 per cent for managers) and the average position tenure was 1.92 years for non-managerial employees and 2.98 years for the managers. Most (83 per cent of non-managerial employees and 100 per cent of the managers) held graduate degrees.

### 3.2 Measures: independent variable

**3.2.1 Leadership style.** This variable was measured by using Bass and Avolio's (1995) Multifactor Leadership Questionnaire (MLQ form 5X). It was distributed to the boutique hotels' first-line managers to be completed. It represents one of the few measures available that attempts to assess the full range of leadership behavior using a multifactorial model. The MLQ 5X identifies three types of leadership behavior: transformational, transactional, and laissez-faire.

The original MLQ has been examined in numerous research studies and on a broad range of sample populations (Lowe *et al.*, 1996). Form 5X, introduced in 1991 incorporated a variety of refinements (Avolio *et al.*, 1999). Reliability coefficients for the MLQ 5X leadership scales range from 0.74 to 0.91 (Bass and Avolio, 1995, Howell and Hall-Marenda, 1999). While the depth of research conducted on the MLQ 5X is not as extensive as that conducted on the original questionnaire, there is sufficient validation data to suggest that it is likely to replicate or improve upon the research record of its predecessor (Fornell and Larker, 1981, Den Hartog *et al.*, 1997, Lowe *et al.*, 1996).

The MLQ Form 5X is self-scoring (the managers scored themselves for their leadership styles) and uses 36 items to measure nine subscales. These items are rated using a five-point scale with anchors labeled as 0 = not at all, 1 = once in a while, 2 = sometimes, 3 = fairly often, 4 = frequently, if not always.

Examples of items from the MLQ-Form 5X questionnaire include:

- *transformational* – talks optimistically about the future;
- *transactional* – directs my attention towards failures to meet standards,



- *contingent reward* – provides me with assistance in exchange for my efforts; and
- *laissez-faire* – avoids making decisions.

A factor analysis for the MLQ 5X in this study was conducted. The principal components analysis method was used to extract a set of independent factors. The varimax rotation method was then applied to clarify the underlying factors.

Table I shows the results of the factor analysis. Three factors were identified, accounting for 84.5 percent of the total variance for leadership scores. Factor 1 explained 63.9 percent of the variance; factor 2 explained 12.8 percent of the variance and factor 3 explained 7.8 percent of the variance. These factors were identified as transformational leadership, transactional leadership, and laissez-faire leadership, respectively.

### 3.3 Measures: dependent variables

**3.3.1 Organizational commitment.** This was measured by the nine-item short version of the Organizational Commitment Questionnaire (OCQ) developed by Porter *et al.* (1974) completed by the non-managerial employees. The OCQ has 15 items, six of which are negatively phrased and reverse scored. In the short form, the negatively phrased items are omitted. There is a seven-point response dimension. Item scores are summed and the mean is taken. Thus, possible scores range from one to seven and the higher the score the more organizationally committed an individual is judged to be. Reliability and validity evidence has been provided by Porter *et al.* (1974), Steers (1977), Steers and Spencer (1977), and Stone and Porter (1975). The coefficient alpha is consistently high in these studies, ranging from 0.82 to 0.93 with a median of 0.90.

**3.3.2 Satisfaction of subordinates.** The Job Descriptive Index (JDI) was used to measure subordinate satisfaction. Job satisfaction has been investigated by Smith *et al.* (1985). The model they developed measures satisfaction as a function of work, pay, promotion, coworkers, and supervision. The measurement instrument developed by these researchers, the Job Descriptive Index, has seen extensive use in management studies (Brown and Peterson, 1993). This study focused on scales measuring satisfaction with the job and satisfaction with supervision.

Factors	Rotated component matrix <sup>a</sup>		
	1	2	3
Idealized influence (attributed) (items 10, 18, 21, 25)	0.91*	0.27	0.13
Idealized influence (behavior) (items 6, 14, 23, 34)	0.93*	0.28	0.09
Inspirational motivation (items 9, 13, 26, 36)	0.93*	0.27	0.05
Intellectual stimulation (items 2, 8, 30, 32)	0.92*	0.28	0.05
Individualized consideration (items 15, 19, 29, 31)	0.94*	0.22	0.06
Contingent reward (items 1, 11, 16, 35)	-0.75	0.63*	0.02
Management by exception (active) (items 4, 22, 24, 27)	-0.75	0.63*	-0.07
Management by exception (passive) (items 3, 12, 17, 20)	-0.90	0.32*	-0.07
Laissez-faire (items 5, 7, 28, 33)	-0.53	-0.05	0.85*
Eigenvalues	23.02	4.62	2.80
Percentage of variance	63.93	12.82	7.78
Cumulative percentage	63.93	76.75	84.53

**Table I.**  
Factor analysis of the  
MLQ 5X

**Notes:** <sup>a</sup>\*Loaded; extraction method: principal component analysis; rotation method: varimax with Kaiser normalization

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The JDI does appear to tap into discriminable aspects of the job in a reliable and valid fashion (Balzer *et al.*, 1990, p. 47).

### 3.4 Measures: control variables

It is important to control for factors that have been shown or hypothesized to influence either the independent or dependent variables of interest in organizational behavior investigations. Based on a review of the relevant literature several individual factors were identified as potential correlates of the study variables of interest. The control variables of education, age and job tenure were included, as these have been found to be significant predictors of employee satisfaction and commitment.

## 4. Results

Table II presents descriptive statistics and correlations for the variables in the model. All the components of transformational leadership were significantly and positively correlated to both commitment and satisfaction variables whereas those of transactional leadership and the laissez-faire approach were negatively correlated ( $p < 0.01$ ). In addition, satisfaction variables were significantly and positively correlated to organizational commitment ( $p < 0.01$ ).

Tables III-V present the results of the hierarchical regression analysis. The variables were entered into the regression equation in two steps, the control variables in the first step and the independent variables in the second.

*H1*, which states that there is a significant relationship between the transformational leadership factors and subordinate satisfaction with supervision, received strong support (Table III). The  $R^2$  result of 0.81 indicates that 81 per cent of the observed variability in the dependent variable satisfaction with supervision is explained by the independent variables, the components of the transformational and transactional leadership model.

Evaluation of the Beta coefficients indicated that all transformational leadership factors (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration) were significant predictors of satisfaction with supervision and positively correlated with it; however, laissez-faire leadership was negatively related to satisfaction. The predicted value of the dependent variable, satisfaction with work, increased 2, 3, 4, 4 and 2 percent when the values of idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation, and individualized consideration increased by 1 ( $p < 0.05$ ,  $p < 0.05$ ,  $p < 0.001$ ,  $p < 0.001$ ,  $p < 0.05$  respectively). However, satisfaction with work decreased 2 per cent, and 0.6 per cent when the values of laissez-faire and management by exception (passive) leadership styles increased by 1 ( $p < 0.05$ , and  $p < 0.001$  respectively). A partial correlation analysis indicated that the positive relationship between the independent variables and a subordinate's work satisfaction was strongest for "individual consideration" ( $r = 0.87$ ,  $p < 0.001$ ) whereas the negative relationship between independent variables and work satisfaction was strongest for "management by exception (passive)" leadership style ( $r = -0.76$ ,  $p < 0.001$ ).

*H2*, which states that there is a significant relationship between the transformational leadership factors and a subordinate's work satisfaction, received strong support (Table IV).

**Table II.**  
Descriptive statistics and correlations<sup>a</sup>

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Education	2.81	0.53	1													
Age	1.42	0.66	-0.08*	1												
Tenure (years)	2.88	1.66	0.08*	-0.03	1											
Idealized influence (attributed)	2.64	2.15	0.05	-0.00	0.11**	1										
Idealized influence (behavior)	2.60	1.76	0.06	-0.00	0.11**	0.93**	1									
Inspirational motivation	2.65	1.99	0.06	-0.01	0.09*	0.89**	0.92**	1								
Intellectual stimulation	2.46	2.10	0.06	-0.02	0.10**	0.88**	0.91**	0.93**	1							
Individualized consideration	2.38	2.32	0.04	-0.01	0.10**	0.91**	0.94**	0.92**	0.91**	1						
Contingent reward	2.41	0.72	-0.03	0.00	-0.04	-0.51**	-0.52**	-0.53**	-0.52**	-0.55**	1					
Management by exception (active)	2.32	0.95	-0.00	0.00	-0.03	-0.53**	-0.53**	-0.53**	-0.52**	-0.57**	0.94**	1				
Management by exception (passive)	2.32	1.10	-0.02	0.02	-0.06	-0.73**	-0.75**	-0.74**	-0.72**	-0.80**	0.84**	0.86**	1			
<i>Laissez-faire</i>	2.91	1.03	-0.03	0.02	-0.05	-0.39**	-0.43**	-0.45**	-0.45**	-0.45**	0.38**	0.30**	0.40**	1		
Satisfaction with job	0.54	0.39	0.04	0.00	0.10**	0.88**	0.91**	0.89**	0.88**	0.91**	-0.54**	-0.55**	-0.77**	-0.46**	1	
Satisfaction with supervision	0.50	0.38	0.03	0.01	0.03	0.84**	0.86**	0.86**	0.85**	0.88**	-0.57**	-0.56**	-0.76**	-0.45**	0.86**	1
Organizational commitment	3.52	1.97	0.05	-0.02	0.05	0.90**	0.93**	0.93**	0.91**	0.94**	-0.54**	-0.55**	-0.77**	-0.48**	0.92**	0.90**

**Notes:** \*Correlation is significant at the 0.05 level (one-tailed); \*\*Correlation is significant at the 0.01 level (one-tailed); a Listwise  $n=648$ . The response categories for age were: 1=below 30 years old, 2=between 30 and 44 years old and 3=45 years old and higher. For education: 1=high school or lower degree, 2=vocational school, 3=bachelor degree, 4=master degree and 5=doctorate degree

Variables	Step 1	Step 2
(Constant)	0.16***	0.33***
Education	0.02	-0.01
Age	0.01	0.01
Tenure	0.01	-0.01
Idealized influence (attributed)		0.02*
Idealized influence (behavior)		0.03*
Inspirational motivation		0.04***
Intellectual stimulation		0.04***
Individualized consideration		0.02*
Contingent reward		-0.09***
Management by exception (active)		0.08***
Management by exception (passive)		-0.06***
Laissez-faire		-0.02*
$R^2$	0.00	0.81
Adjusted $R^2$	0.00	0.80
$F$	0.46	223.57***
$\Delta R^2$	0.00	0.81***

Notes: \*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$

**Table III.**  
Results of hierarchical  
regression analyses for  
satisfaction with  
supervision

Variables	Step 1	Step 2
(Constant)	0.48***	0.26***
Education	0.02	-0.01
Age	0.00	0.01
Tenure	0.02	0.00
Idealized influence (attributed)		0.02**
Idealized influence (behavior)		0.05***
Inspirational motivation		0.02*
Intellectual stimulation		0.02***
Individualized consideration		0.04***
Contingent reward		0.04*
Management by exception (active)		0.00
Management by exception (passive)		-0.07***
Laissez-faire		-0.02**
$R^2$	0.01	0.87
Adjusted $R^2$	0.01	0.87
$F$	2.18	358.82***
$\Delta R^2$	0.01	0.86***

Notes: \*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$

**Table IV.**  
Results of hierarchical  
regression analyses for  
satisfaction with work

The  $R^2$  result of 0.87 indicates that 87 per cent of the observed variability in the dependent variable satisfaction with work is explained by the independent variables, the components of the transformational and transactional leadership model. Evaluation of the Beta coefficients indicated that all transformational leadership factors were significant predictors of satisfaction with supervision and positively correlated with it whereas laissez-faire leadership was negatively related to satisfaction. Predicted value of

**Table V.**  
Results of hierarchical  
regression analyses for  
organizational  
commitment

Variables	Step 1	Step 2
(Constant)	1.62***	1.47***
Education	0.18	0.02
Age	-0.03	-0.02
Tenure	0.06	-0.05***
Idealized influence (attributed)		0.06*
Idealized influence (behavior)		0.22***
Inspirational motivation		0.25***
Intellectual stimulation		0.06*
Individualized consideration		0.33***
Contingent reward		0.11
Management by exception (active)		0.00
Management by exception (passive)		-0.13*
Laissez-faire		-0.09***
$R^2$	0.01	0.93
Adjusted $R^2$	0.00	0.92
$F$	1.18	662.60***
$\Delta R^2$	0.01	0.92***

Notes: \*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$

the dependent variable, satisfaction with work, increased 2, 5, 2, 2 and 4 per cent when the values of idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation, and individualized consideration increased by 1 ( $p < 0.01, p < 0.001, p < 0.05, p < 0.001, \text{ and } p < 0.001$  respectively); but it decreased 2 per cent, and 0.7 per cent when the vales of laissez-faire and management by exception (passive) leadership styles increased by 1 ( $p < 0.01, \text{ and } p < 0.001$  respectively). A partial correlation analysis indicated that the positive relationship between the independent variables and a subordinate's work satisfaction was strongest for individual consideration ( $r = 0.92, p < 0.001$ ) whereas the negative relationship between independent variables and work satisfaction was strongest for the management by exception (passive) leadership style ( $r = -0.77, p < 0.001$ ).

$H3$ , which states that there is a significant relationship between the transformational leadership factors and organizational commitment of the subordinates, was also supported. Idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation, individualized consideration, and laissez-faire leadership styles were significant predictors of the organizational commitment of subordinates (Table V) and explained significant amount of variance (93 per cent).

A partial correlation analysis indicated that the positive relationship between independent variables and organizational commitment was strongest for individual consideration ( $r = 0.94, p < 0.001$ ) whereas the negative relationship between independent variables and work satisfaction was strongest for management by exception (passive) leadership style ( $r = -0.77, p < 0.001$ ).

## 5. Discussion

In this study, the effects of leadership behaviors on leadership effectiveness and organizational effectiveness were focused. It was found that leadership and

organizational effectiveness were closely affected by leadership behaviors. All the components of transformational leadership that are idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation, and individualized consideration are related positively to both leadership and organizational effectiveness whereas the laissez-faire leadership approach is related negatively. These findings are consistent with previous research suggesting that transformational leadership is positively correlated with subordinate satisfaction, commitment and performance in a majority of the studies, while laissez-faire leadership resulted in lower satisfaction, commitment, and performance (Bass and Avolio, 1990, 1994, 2000; Northouse, 2001; Lowe *et al.*, 1996; Shim *et al.*, 2002; Yousef, 2000; Loke, 2001; Ugboro and Obeng, 2000; Yukl, 1989; Bass, 1998, 1999; Lok and Crawford, 1999; McNeese-Smith, 1995, 1997, 1999; Bryman, 1992; Avolio, 1999; Bass, 1998; Howell and Avolio, 1993; Tracey and Hinkin (1996); Borchgrevink and Boster, 1998; Dvir *et al.*, 2002; Waldman *et al.*, 2001; Testa, 2002).

In this study, "individual consideration" has the highest positive correlation with the three dependent variables: satisfaction with supervision, satisfaction with job, and organizational commitment. Laissez-faire has the highest negative relationship. When leaders practice individualized consideration, they pay attention to their followers' needs, show empathy and encourage personal development and expression. When leaders show understanding and support, followers are likely to be interested in and focus on their tasks instead of on extraneous worries; they are likely to take risks and explore new approaches (Amabile, 1996; Deci and Ryan, 1985; Shamir *et al.*, 1993). Followers' feelings of enhanced competence, and their perceptions of personal discretion and responsibility, are likely to boost their intrinsic motivation (Deci and Ryan, 1985; Zhou and Oldham, 2001; this in turn results in heightened satisfaction and commitment (Amabile, 1996). If subordinates perceive their managers as change agent who are good role models, who can create and articulate a clear vision for an organization, who empower subordinates to achieve at higher standards, who act in ways that make others want to trust them, and who give meaning to organizational life, it may increase their own satisfaction and commitment. This in return may lead to higher managerial and organizational effectiveness. On the other hand, relying on mostly transactional or laissez-faire leadership behaviors may lower subordinate satisfaction and commitment in the organization.

Transactional leadership may not provide desired results in organizations for a number of reasons. Some of these are: unreliable performance appraisal systems, subjectively administered rewards and poor managerial skills in showing employees the pay for performance link. In addition, managers provide rewards that are not perceived by the followers to be meaningful or important. A small pay increase, a personal letter from the boss, or a job transfer may not be what the employee wants in the form of contingent reward. Until managers understand the employees' desires, administer rewards in a timely manner, and emphasize the pay-performance link, there is likely to be confusion, uncertainty and minimal transactional impact in leader-follower relationships.

An interesting result of this study was that the boutique hotels with foreign investment used a more transformational approach to leadership, focusing on the needs and motives of employees whereas the local boutique hotels a more transactional approach, focusing on specific rules, procedures and policies for handling predictable

matters and taking corrective action only where there has been a deviation from the rules or procedures. The reason can be the boutique hotel managers' attitudes about the hospitality industry in Turkey. During the informal meetings with the managers of the boutique hotels with foreign investment, majority of them informed that the hospitality industry in Turkey is unpredictable and dynamic. Because environmental uncertainty threatens an organization's effectiveness, managers will try to minimize it. One way to reduce environmental uncertainty is through adjustment in the organization's structure. The greater the uncertainty, the more an organization needs the flexibility offered by an organic design. An organic organization is a highly adaptive and flexible structure in which employees are highly trained and empowered to handle diverse job activities and problems, require minimal formal rules and little direct supervision. On the other hand, managers of the local boutique hotels supposed that the hospitality industry in Turkey is stable and predictable. Therefore, mechanistic organizations that are rigid and tightly controlled structures tend to be most effective. These findings are consistent with the previous research stating that transactional leadership is more likely to appear in mechanistic organizations than in organic organizations and transactional leadership approach can be effective where the organizational environment is stable and predictable but a more transformational approach is advocated where the problems faced are not routine (Bass, 1985; Valle, 1999).

In summary, if an organization wants to succeed in a rapidly changing business environment, it is better for managers to use transformational leadership behaviors rather than transactional and laissez-faire leadership approaches. Managers who demonstrate these behaviors efficiently will increase the success of their organization.

## 6. Conclusion

Managers use various leadership styles to influence subordinates and to get things done in organizations. Behaving in ways that motivate and inspire those around them, paying attention to each individual's needs for achievement and growth, creating a supportive organizational climate, recognizing individual differences in terms of needs and desires, encouraging a two-way exchange in communication, and actively listening to subordinates' concerns and opinions are examples of transformational leadership behaviors that are relationship-oriented. On the other hand, punishing and withdrawing rewards or promotions are examples of transactional leadership behaviors that are task oriented. Avoidance or absence of leadership is the laissez-faire approach. Relying on either the laissez-faire style of leadership by taking a "hands-off-let-thing-ride" approach or the transactional style of leadership by saying "I am the superior to these employees and can punish them if they disobey" may cause negative effects in organizations. According to the research on leadership behaviors, including this research, such behavior may lead to low satisfaction and commitment in subordinates, sabotage and a high turnover rate. On the other hand, using mostly transformational leadership behaviors may result in positive effects such as high satisfaction and commitment, high motivation and high productivity levels in subordinates.

The findings of this study have several practical implications. First, the results suggest the need for more transformational leaders in hospitality organizations. Since transformational leadership has been shown to be positively related with subordinates' commitment and satisfaction, managers of using it will increase their organization's



performance. Second, if transformational leadership can be taught to individuals at all levels within an organization, it can positively affect a firm's performance (Bass and Avolio, 1990; Pounder, 2003). Finally, it can be used in recruitment, selection, promotion, training, and development. Transformational leadership can also be used in improving team development, in decision-making groups, and in guiding quality initiatives and reorganization (Bass and Avolio, 1994).

Several major conclusions emerging from this study can be stated. Managers in a hospitality organization should try to:

- use transformational leadership behaviors rather than transactional leadership behaviors and avoid laissez-faire approach;
- create a vision giving followers a sense of identity and meaning within the organization;
- become strong role models for their followers by developing set of moral values and expressing strong ideals;
- act as change agents who initiate and implement new directions within organizations; and
- provide a supportive climate in which they listen carefully to the individual needs of followers and act as coaches and advisers while trying to assist individuals in becoming fully actualized.

Leadership is at the heart of effective management. Whether intentional or unintentional, the actions and attitudes of those in positions of authority affect the actions and attitudes of employees. This study has provided compelling evidence for the importance of continuing the efforts to understand the nature of the leadership behaviors-effectiveness connection. If we are to succeed in our efforts to build healthy, sustainable organizations, we must continue to invest in the development of transformational leaders who understand and respect the people that are at the heart of their success.

In conclusion, managers in organizations should be conscious of their leadership styles. In addition, to search which leadership behavior is effective in which managerial level and in which job, to see how efforts to modify leadership styles affect leadership and organizational effectiveness, and to take some corrective measures when leadership behavior does not match organizational requirements will lead to organizational success in changing business environment.

### *6.1 Study limitations and recommendations for future research*

The study is subject to some limitations that could be attempted in future research. First, some characteristics of the hotels may have affected the findings, such as their source of funding. Whether they had foreign or local funding may have affected their organizational culture, which in turn could influence their leadership styles. Second, the surveys were completed in the summer months, a very busy season for tourism in Turkey, with high stress levels for managers and high workloads for subordinates. Third, demographic factors might have affected the results. Most of the participants were young with a job tenure under three years. Finally, there may have been a self-selection bias among the subordinates who participated in this study since participation was voluntary.

The findings of this study highlight the impact of transformational leadership on organizational and leadership effectiveness in boutique hotels; there is a question about the generalizability of these findings to other hospitality organizations such as four or five-star hotels. Would a five-star hotel with a history of business difficulties produce similar results? Probably, an organization's environmental and historical contexts play a role in the relationship between leadership behaviors and effectiveness. Future field studies could address this question.

Longitudinal research could help to clarify how the relationship between transformational leadership and effectiveness operates over time. Undoubtedly, changes would occur in how transformational leadership and organizational and leadership effectiveness intertwine through such various stages in the life cycle of an organization as growth, decline, mergers etc. For example, Baliga and Hunt (1988) have proposed that transformational leadership is most important during the birth, growth and revitalization stages of an organization.

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