

Does Effective Leadership Style Drive Financial Performance of Banks? Analysis in the Context of UAE Banking Sector

Jacob Cherian¹ & Sherine Farouq²

¹ Department of Management, College of Business Administration, Abu Dhabi University, Abu Dhabi, UAE

² Department of Accounting, College of Business Administration, Abu Dhabi University, Abu Dhabi, UAE

Correspondence: Jacob Cherian, Department of Management, College of Business Administration, Abu Dhabi University, Abu Dhabi, UAE. E-mail: jacob.cherian@adu.ac.ae

Received: March 23, 2013

Accepted: May 22, 2013

Online Published: June 20, 2013

doi:10.5539/ijef.v5n7p105

URL: <http://dx.doi.org/10.5539/ijef.v5n7p105>

Abstract

The success for any organization in its competitive business arena depends upon an effective human resource system that is linked with its organizational strategy. In today's world banks play an important role in the social economy. The banking industry falls under the service domain where efficient risk management cannot be possible without efficient and skilled manpower. The banking sector will be termed as "People Business". The two key challenges facing banks are management of people and management of risk to determine success in the banking business. "Soft skill" is the call for today in the banking sector more than operational skills which is needed to fulfill the requirement of the customers at the counter. A combination of new technologies, diversification of products, quicker credit and risk appraisal, managing treasury and human resource at the priority would take the bank industry to the heights of international excellence. In the Gulf region, UAE is considered as a fast developing country with a strong interest for the best management practices to improve overall performance. This study targeted banks which were listed with two different markets Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM). In the present study researched adopted judgment sampling approach and identified a total of 18 banks for whom selective historical financial data was available. From the results of the study it is evident that there is a direct impact of leadership style on performance of the organization. Since leadership style is one of the facets of organizational HR practices, by extension the researcher concludes that leadership style is related to the level of financial performance of an organization.

Keywords: banking sector, UAE economy, social economy, human resource management, DFM, financial performance, banking HR, securities exchange

1. Introduction

Guest (1990, p. 377) and Rees and Johari (2010) defined Human Resource Management (HRM) as a "contemporary manifestation of the American dream". But it has become popular in emerging countries also (Budhwar & Deborah, 2009). However, it has been criticized by various researchers as it has low ability in increasing the organizational performance through the implementation of business strategy (Hope-Hailey et al., 1997; Lengick et al., 2009). Researchers have proposed a new concept called Strategic HRM (SHRM) which gives a value driven approach to HRM in 1990s to overcome this issue. The organizational performance can be enhanced by synchronizing HRM and the organization's strategic goals, through the integration of HRM into the business strategy and expansion of HR practices into senior management levels. SHRM can make HRM practices as specialized line functions (Bowen & Ostroff 2004; Ulrich 1998).

As discussed in Strategic Management theories, the competitive advantage of a firm is determined by its internal activities, potential resources or capabilities. This concept is also discussed in Porter (1985)'s seminal work on competitive advantage which highlights the importance of the relationship between an integrated configuration of internal value chain activities and business strategy. But, the importance of resource and knowledge has also been discussed in other strategic management literature. From these arguments, the crucial role of internal resources in enhancing the competitive advantage of a firm becomes clear (Barney, 1991 & Grant, 1996). SHRM reflects the concept that HRs can create and maintain the excellent organizational performance via the human and social capital of the firm (Wright, Dunford, & Snell, 2001). It is also discussed in the literature that

the performance of the firms can be enhanced through SHRM practices (Boselie et al., 2005, Combs et al., 2006; Huselid, 1995). But the lack of knowledge as well as the misconstrued HR mechanisms while implementing business strategies hinders the understanding of this corporate objective (Collins & Smith, 2006; Guest, 2011; Paauwe, 2009).

In accordance to the literature (Dany, Guedri & Hatt, 2008; Delaney & Huselid, 1996; Delery & Doty, 1996; Huselid, Jackson & Schuler, 1997; Uysal, 2008), HR Metrics are directly related to Organizational Financial Performance (OFP). Though such kind relationship exists, researchers struggled a lot to translate this relationship into functional and actionable strategic plans while aiming to examine corporate targets (Becker & Gerhart, 1996; Chhinzer, 2004).

Human Resource is the backbone for a firm and hence the works on developing the skills and management are the main subject placed before the human resource. Most of the banks struggled a lot while developing the special competencies and skills with respect to credit appraisal and risk management making IT as a major contributor for the development of human resource. Hence, in future the experts should understand the complexities of the contemporary business environment and also the force factors involved in shaping the environment.

As there are no adequate studies conducted in this regard, the researcher faced a number of challenges while examining how the organizational performance can be enhanced based on the HR Metrics and OFP relationship with respect to service sector such as banks by examining a single facet of HRM i.e., leadership style. As suggested in most studies (Dany et al., 2008; Fleetwood & Hesketh 2007; Keegan & Boselie, 2006), the researcher of this study attempted to focus on the formulation and execution of organizational performance based business strategies and its association to the type of HR practice of the bank.

2. Literature Review

2.1 Human Resource Management

Boxall and Purcell (2008, p.1) defined HRM as “all those activities associated with the management of people in firms”. Based on this definition, most of the studies on HRM practices focus on multiple management activities instead of isolated single management activity. In addition most studies focus on the relationship of performance of the employees and organizational outcomes with managerial decisions and activities (Wright & Boswell, 2002) and a wide range of HR activities or practices (Paauwe 2009; Purcell & Kinnie, 2007) such as high - involvement, - commitment or - performance work systems (Boselie et al., 2005). In a study conducted by (Boselie et al., 2005; Wall & Wood, 2005), HRM is classified based on recruitment, selection and retention; training, talent management and development; motivation and performance management, staff participation and teamwork, performance-based remuneration, job security, and communication planning.

Paauwe (2009) and Purcell and Kinnie (2007) categorized HRM based on three principles as given by AMO theory. In general, the major aim of HR practice stands on building capacity, motivating staffs and allowing the staffs to perform well (Boxall & Purcell, 2008). In accordance to Wall and Wood (2005) the complete HRM system can be well understood through HR practices. In addition, Delery (1998) declared that the interrelationship between HR practices is found to derive a lot of effectiveness (Delery, 1998). Following this concept, Combs et al. (2006) stated that the organizational performance can be enhanced with high-performance work systems. But, only few HR practices will lead to such enhancement. Further, other outcome variables such as staff welfare and business performance can also have relationships with individual HR practices. As a result, the researcher of this study has attempted to differentiate HRM Systems (indices) from single HR Practices.

2.2 Human Resource Management Practices and Organizational Performance

Various researchers (Boselie et al., 2005; Collings et al., 2010; Godard, 2004; Kuvaas, 2008) have focused on the influence of HRM on organizational performance. Most of these studies discussed recruitment, rewards and promotion, participation, training, and coaching as important HR variables. In a study conducted by Paauwe & Richardson (1997), the extent of influence of HR outcomes such as staff satisfaction, motivation, retention and loyalty on profitability, delivery, product quality, customer satisfaction & market share was examined. In another study conducted by Boselie et al. (2005) several contradictions and inconsistencies were observed in terms of the link between HRM and corporate performance based on the review of 104 research papers those have been published from 1994-2003.

On the other hand, it was identified that there has been over establishment of various factors such as alternative work practices (i.e. work teams & quality circles), and high-commitment employment practices (i.e. value, knowledge & human relations based selection & training; single status policies; behaviour-based appraisals; and

contingent pay systems) in the literature. In addition, based on best practice' and 'best fit' or contingency concepts, Collings et al. (2010) assessed the dichotomous interaction between HRM and business performance in Turkish firms and supported the best fit model. These findings were found to be in an exposition to the inconsistencies discovered by Boselie et al. (2005). As one size fits all' model was found to be inappropriate for maximizing the organizational performance.

2.3 Integration of HRM with Corporate Strategies and Management

As stated by Buyens and De Vos (1999), Schuler and Jackson(1999), realigning the SHRM practices with the strategic financial performance and incorporating the HRM function with formulation and business strategies implementation is known as the integration process. Black and Boal (1994) and Teece, Pisano and Shuen (1997) pointed out that proficiency of the employees, organizational performance and cost-efficiency can be promoted by integrating the HR function into corporate strategy of the organization. It is recommended that HR managers should take part in strategic decision making process of the firms, if they want their firm to experience maximum benefits.

The need for interactive communication channel rises from the important role of HR practices in developing and implementing the effective plans for successful organizational performance. However, it is also necessary to an extensive as well as in-depth HRM strategy in future (Budhwar, 2000b; Teo, 2000 & 2002). Based on this concept, Cunningham and Deborah (1995) and Khatri (1999) stated that the ability of an organizations to deal with both internal and external labour market dynamics can be enhanced through the influence of HR activities on decision-making process of the organizations as vision and objectives of the firms can be enhanced in this way and the organizational performance can also be monitored. As stated by Wright and Snell (1991), Massey (1994), Tyson (1995) and Grundy (1998), all HRM roles can be synchronized if these objectives are supplementary for the aspirations of the HR function (Sullivan, 2003). Further, Khatri (1999) pointed out that SHRM can make the organizational strategies in support of HR practices.

It has been identified by Becker and Gerhart(1996), Grundy(1998), Ichniowski and Shaw, (1999) and Khatri(1999) that the HR functions should have strategic congruency and consistency to achieve optimal organizational performance. Most of the studies (Pfeffer, 1994; Chew & Chong, 1999; Bowen, Galang & Pillai, 2002) on the influence of SHRM on organizational performance discussed more about the intermediary performance factors such as absenteeism, employee commitment, service delivery and satisfaction of the customers. As a result, Richard and Johnson (2001) suggested that it is necessary to examine the bottom-line indicators such as profitability and return on equity/investment. The CEOs have been compelled to demand that bottom-line value as well as the performance of the organizations can be enhanced by the incorporation of HR practices with corporate strategy formulation (Buyens & De Vos, 1999; Sullivan, 2003).

2.4 Leadership Style and Performance of Firm

The behaviour of the leaders while dealing with the staffs is known as leadership style. As stated by Lewin, Lippit and White (1939) (i) Autocratic (ii) Democratic (iii) Laissez-faire are the three major types of leadership style.

The oldest concept called autocratic leadership style is being used even in modern and latest firms (Avery, 2004). This concept became more famous during 1970s when the concept human relations movement was introduced. In accordance to classical leadership most of the leaders are pre-eminent person or an 'elite' group of people (Avery, 2004). This leadership can either be coercive or benevolent or its combination since it is believed that elite people can instruct and motivate other to work towards a common goal successfully. In addition, others will accept the directives of these elite leaders without any objection and will start working accordingly as they respect these leaders to a greater extent (Avery, 2004).

There are some limitations associated with authoritarian leadership. If the leader is not available to instruct the followers, they cannot work accordingly to solve a problem and in this case, the situation will become worse. In addition, the employees cannot perform well, if there is any change in the existing situation. If there is any change in the mindset of the staffs, they won't accept the dominating behaviour of the leader and their commands. Further, this style of leadership will create a view that only selective people will have the leadership skills and hence it will de-motivate the followers from developing their skills. In addition, the followers will have lesser responsibilities and hence the leaders will be responsible for organizational outcomes (Avery, 2004).

Based on the nine distinguishing indicators it is believed that the authoritative leaders will adopt autocratic style of decision making and thus limit the contribution for followers in decision making.

Just opposite to this model, democratic leadership will allow the followers to actively participate in decision

making and make them to contribute their best for successful organizational performance through shared vision and values. Avery (2004) pointed out that as this concept does not involve formal leadership structure, the several parts of this organization can be linked through an integrator. The main aspect of the leadership style is to provide support for developing leadership skills instead of giving priority for the leaders only. But this paradigm has some disadvantages also. For example, the chances of loss of control and extreme uncertainty are high in this paradigm as it supports autonomy, freedom, discretion and authorization (Kanter, 1989). It is also necessary to identify that a form of self-control and self-organization can be generated through the organic leadership and it will make the people to get clear ideas about purpose and autonomy (Meindl, 1998). This model does not include formal leaders and this factor differentiates this theory from classical, transactional, and visionary leadership concepts. In addition, the organizations should believe that the employees have the ability to solve the problems in hand effectively and should provide opportunities for them to work effectively (Avery, 2004).

In organic leadership organizations a mutual agreement style will be adopted while making decisions (Avery, 2004). In these organizations decisions will be taken based on consensus. This shared view will provide great power, accountability and responsibility to the members and the extent of this sharing will determine the commitment of the staffs and lead to a strong, shared culture and make the functions more complex and the organizations more self-organizing and unpredictable. This shared vision as well as value and group dynamics will make the organizations more successful and self-managing. Such leadership paradigm is found to be useful for professional and knowledge workers while managing dynamic, chaotic situations and it can attract and retain skilful and proficient employees for a longer period of time.

Most of the leadership theories focus on few leadership paradigms such as transactional and transformational models and left the rest (Bass, 1985). They have not discussed about classical and organic paradigms. In accordance to Bass, visionary paradigm is better than transactional model. However, Avery (2004) argued that a single leadership model will not always be effective. Hence, the mixture of leadership concepts should be adopted in an organization depends upon the context. This recommendation paves the way for conducting future research as per Avery's (2004) four leadership paradigms which in turn widens the scope of the leadership perspectives.

Most of the studies on the impacts of leadership on performance focused on the performance of the individuals but not on the organizations (Lim & Ployhart, 2004). Only few researchers focused on the role of leadership skills in enhancing organizational processes and outcomes (Conger, 1999; Yukl, 1999). In accordance to Yukl (2002), there have been only few studies on dyadic processes and hence there is a necessity to focus on team-based studies. These issues are the major research gaps in the HRM literature.

3. Methodology

This study targeted banks which were listed with two different markets Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM). In the present study researched adopted judgment sampling approach and identified a total of 18 banks for which selective historical financial data was available. The secondary data from their annual reports was obtained to identify their performance in the years 2009 and 2010.

It is observed that among these banks appropriate sample population from the employees was identified targeting a minimum of 10 employees in each bank to present a total of 180 target respondents to answer the target questionnaire on leadership style. No personally identifiable information was sought and information on the type of leadership exhibited in the bank was identified in the form of authoritarian, democratic and laissez faire leadership style. The questionnaire of the study was briefed and was time restricted for 15 minutes. For evaluating the non-response bias, researcher conducted independent sample t-tests on interest variables related to early day and late day respondents. It was observed from the results that there was no difference between two respondent groups resulting that non-response bias of the residents have no much impact. The study is determined to be cross sectional in nature and the survey questions that were included with were based on five point scale. Advantages of making use of Likert Scale are easy formation and enable the respondents to provide responses for the questionnaire based on their opinion (Barnett, 1991).

4. Results of the Study

Tables 1 and 2 present a comparative financial performance of banks in ADX and DFM between years 2009 and 2010. The banks in ADX are found to have performed better than banks in DFM. The estimation of total debts/total assets is found to decrease by 7.5% as an average for these banks. This identifies that majority of them are performing effectively with reduction in the number of debts. However for the banks in DFM it can be seen that the total debts/assets is found to increase by 1.8% between 2009 and 2010. A similar trend is observed for short term debts presenting a fall for ADX (7.1%) with a very small fall for DFM (0.15%). The

overall fixed assets/total asset is also found to reduce for ADX by 2.2%. This is important for a bank as liquidity is more important for an organization in finance business when compared to the presence of fixed assets. In contrast the ratio of fixed assets/total assets is found to increase for DFM by 106%. It is also to be acknowledged that the EBIT/total asset is found to increase by 9.4% for ADX and 14.58% for DFM. From the above table it can be identified that there is better performance of banks which are listed with ADX when compared to banks which are listed with DFM.

Table 1. Comparative table for financial performance of ADX banks (2009-2010)

Bank	total debts/total assets		short term debts/ total assets		fixed assets/ total assets		EBIT/total assets	
	2009	2010	2009	2010	2009	2010	2009	2010
ADC	0.8060	0.8902	0.7347	0.7824	0.0084	0.0085	0.0048	0.0132
ADIB	0.8808	0.7586	0.8541	0.7653	0.0237	0.0243	0.0165	0.0252
BS	0.8885	0.8570	0.7704	0.7867	0.0373	0.0315	0.0267	0.0236
CBI	0.8460	0.8490	0.7895	0.8297	0.0043	0.0079	0.0088	0.0120
FGB	0.8175	0.8250	0.7815	0.7892	0.0457	0.0075	0.0264	0.0275
IB	0.8597	0.8055	0.7631	0.8476	0.0528	0.0472	0.0298	0.0265
NBA	0.7830	0.8859	0.7952	0.7133	0.0089	0.0105	0.0229	0.0200
NBF	0.8961	0.8922	0.8942	0.8841	0.0529	0.0545	0.0246	0.0291
NBU	0.7732	0.0787	0.7400	0.0761	0.0066	0.0040	-0.0032	0.0022
SIB	0.7711	0.7391	0.7698	0.7377	0.0104	0.0493	0.0163	0.0160
UNB	0.8591	0.8541	0.8164	0.8145	0.0084	0.0075	0.0156	0.0166
UAB	0.7623	0.7613	0.7101	0.7144	0.0090	0.0095	0.0401	0.0398
ADX (Average)	0.8286	0.7664	0.7849	0.7284	0.0224	0.0219	0.0191	0.0210
Percentage change	-7.5%		-7.1%		-2.2%		9.4%	

Description: ADC- Abu Dhabi Commercial Bank; ADIB- Abu Dhabi Islamic Bank; BS- Bank of Sharjah; CBI- Commercial Bank International; FGB- First Gulf Bank; IB- Invest Bank; NBA- National Bank of Abu Dhabi; NBF- National Bank of Fujairah p.s.c; NBU- National Bank of Umm Al-Qaiwain; SIB- Sharjah Islamic Bank; UNB- Union National Bank; UAB- United Arab Bank.

Table 2. Comparative table for financial performance of DFM banks (2009-2010)

Bank	total debts/total assets		short term debts/ total assets		fixed assets/ total assets		EBIT/total assets	
	2009	2010	2009	2010	2009	2010	2009	2010
SC	0.4042	0.2328	0.3833	0.1579	0.0666	0.0758	-0.0402	-0.0853
EN	0.8865	0.8820	0.8527	0.8403	0.0515	0.0220	0.0128	0.0122
TL	0.8084	0.7817	0.0794	0.0343	0.0054	0.0078	0.0337	0.0379
AB	0.4797	0.6887	0.4787	0.6877	0.0340	0.0359	0.0006	0.0012
ABB	0.7313	0.7421	0.7305	0.7413	0.0045	0.0061	0.0178	0.0085
CBD	0.8546	0.8473	0.8530	0.8459	0.0157	0.0160	0.0218	0.0213
DIB	0.8935	0.8832	0.8630	0.8352	0.0365	0.0346	0.0145	0.0091
EIB	0.8096	0.8191	0.8086	0.8183	0.0032	0.0015	0.0150	0.0193
MB	0.8748	0.8840	0.8747	0.7121	0.0153	0.2616	0.0090	-0.3431
GFH	0.7344	0.8540	0.6130	0.8539	0.0000	0.0182	-0.4435	0.0127
DFM (Average)	0.7477	0.76149	0.65369	0.65269	0.02327	0.04795	-0.03585	-0.03062
	1.8%		-0.15%		106%		-14.58%	

Description: SC - SHUAA Capital PSC; EN- Emirates NBD PJSC; TL- TAMWEEL PJSC; AB- Ajman Bank; ABB- Al-Salam Bank Bahrain; CBD- Commercial Bank of Dubai; DIB-Dubai Islamic Bank; EIB- Emirates Investment Bank PJSC; MB- Mashreq Bank; GFH- Gulf Finance House.

Table 3 compares the style of leadership between ADX and DFM. It is observed that banks listed in ADX rank high on the democratic and low on authoritarian and laissez faire leadership style scale. However banks at DFM while showing low rank on authoritarian leadership style, rank high on laissez faire leadership and low on authoritarian leadership style. From the three tables it can be established that among the banks listed at ADX and DFM, banks at DFM were found to show a better financial performance as well as leadership style.

Table 4 and 5 compares the impact of leadership style on financial performance of banks from ADX and DFM. A comparative analysis of 2009 and 2010 among the different banks can be observed. From table 4, in the year 2009 it is observed that total debts/total assets (R square = 0.48, $p < 0.01$), short term debts/total assets (R square

= 0.46, $p < 0.01$), fixed assets/total assets (R square = 0.54, $p < 0.01$), EBIT /total assets (R square = 0.44, $p < 0.01$) were found to have a significant positive relationship with the type of leadership style in banks listed with ADX. In contrast the banks from DFM showed a p value greater than 0.01 indicating the lack of a significant impact of leadership style.

From table 5, in the year 2010 it is observed that total debts/total assets (R square = 0.47, $p < 0.01$), short term debts/total assets (R square = 0.46, $p < 0.01$), fixed assets/total assets (R square = 0.59, $p < 0.01$), EBIT /total assets (R square = 0.62, $p < 0.01$) were found to have a significant positive relationship with the type of leadership style in banks listed with DFM. In contrast the banks from DFM showed a p value greater than 0.01 indicating the lack of a significant impact of leadership style with only short term debts/assets (R square = 0.46, $p < 0.01$) showing presence of a significant positive relationship.

Table 3. Type of leadership style

	Banks	Authoritarian Leadership		Democratic Leadership		Laissez Faire Leadership	
		Type	Type	Type	Type	Type	Type
ADX	ADC	10	Very low	28	Very high	6	Very low
	ADIB	9	Very low	26	Very high	9	Very low
	BS	10	Very low	27	Very high	8	Very low
	CBI	7	Very low	28	Very high	9	Very low
	FGB	9	Very low	27	Very high	9	Very low
	IB	11	Low	26	Very high	9	Very low
	NBA	7	Very low	27	Very high	9	Very low
	NBF	11	Low	30	Very high	10	Very low
	NBU	7	Very low	24	High	8	Very low
	SIB	9	Very low	28	Very high	7	Very low
DFM	SC	12	Low	24	High	25	High
	EN	8	Very low	26	Very high	26	Very high
	TL	10	Very low	28	Very high	26	Very high
	AB	10	Very low	25	High	25	High
	ABB	11	Low	25	High	25	High
	CBD	11	Low	26	Very high	24	High
	DIB	11	Low	28	Very high	26	Very high
	EIB	12	Low	26	Very high	25	High
	EIB	11	Low	28	Very high	26	Very high
	MB	9	Very low	26	Very high	26	Very high

Table 4. Regression analysis 1

Dependent	Independent: Leadership Style							
	ADX				DFM			
	R square	T value	Beta value	Sig	R square	T value	Beta value	Sig
Total debt/total assets 2009	0.48	2.70	0.01	0.03	-0.12	1.01	0.64	0.34
short term debt/total assets 2009	0.46	2.62	0.01	0.03	-0.125	0.74	0.73	0.48
fixed assets/total assets 2009	0.54	3.04	0.01	0.02	-0.05	0.008	-0.67	0.52
ebit/total assets 2009	0.44	2.49	0.00	0.04	-0.099	0.591	0.043	0.571

Table 5. Regression analysis 2

Dependent	Independent: Leadership Style							
	ADX				DFM			
	R square	T value	Beta value	Sig	R square	T value	Beta value	Sig
Total debt/total assets 2010	0.47	2.68	0.06	0.03	-0.119	1.27	0.92	0.24
short term debt/total assets 2010	0.59	3.43	0.06	0.01	0.58	0.82	0.19	0.04
fixed assets/total assets 2010	0.48	2.69	0.01	0.03	0.24	-0.05	0.89	0.40
ebit/total assets 2010	0.62	3.60	0.00	0.01	-0.056	-0.794	0.009	0.450

5. Discussion and Conclusion

From the results of the study it is evident that there is a direct impact of leadership style on performance of the organization. Since leadership style is one of the facets of organizational HR practices, by extension the researcher concludes that leadership style is related to the level of financial performance of an organization.

In this study banks listed in two different exchanges ADX and DFM were considered and from the results it is proven that better leadership style does have a positive impact on the performance of the company. From the views of researchers HRM goals and philosophies can be realigned interchangeably with strategies and objectives and are dependent on the type of leadership an organization portrays. (Ulrich, 1997a; Buyens & De Vos, 1999). Further, Budhwar (2000b) and Teo (2000, 2002). They have advised that HR Managers should take part in the senior management team of the firms as this will have an impact on the financial performance of the firm. Giving importance to HR strategies and leadership style is ideal and is supported by a number of researchers. Any organization should include HRM in their corporate strategy and decision-making processes and if they executed the same based on the views of the HR department, then it may lead to improvements. In addition, the conceptualization as well as the implementation of the corporate strategy will be better if there is a friendly relationship between the HR Manager and the CEO (Sullivan, 2003) as it will enable better understanding of the financial position of the company. Cheddie (2001) suggested that HR managers should be aware of core markets, costs, competitors, profitability benchmarks and stakeholders.

Implications for training managers and recommendations for future research are discussed in this study. It is identified from this study that the employees who have access to take part in decision making processes of the firms, will tend to show more interest in providing better customer services when compared to those who have little accountability. It is also identified that transformational leadership style has direct correlation with the satisfaction of the employees and the staffs will be extremely motivated by the leaders to achieve the organizational goals and to make their organizations successful. Through this improved level of performance, the organizations can enhance their competitive advantage and sustain their customer base and become successful in the competitive market. In other words, the leaders can enhance the customer service and in turn modify the organizational performance through their leadership style.

The readers are requested to interpret the outcomes of this study as it has four major limitations. They are: (i) it is necessary to analyze the impacts of leadership styles on organizational performance through a longitudinal study in order to extensively assess the improvements and deterioration in performance. (ii) This study is found to be influenced by several factors such as national culture, objective customer feedback, and sales revenue and profitability. (iii) As this study has adopted only quantitative strategy, it becomes impossible to examine the complex relationships. To overcome this issue, quantitative research with qualitative research such as case studies or face-to-face interviews should be conducted. To get better results, it is necessary to conduct the studies in different fields.

References

- Avery, G. C. (2004). *Understanding Leadership: Paradigms and Cases*. London: Sage.
- Barnett, V. (1991). *Sample Survey Principles and Methods*. London: Hodder.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 97-98. <http://dx.doi.org/10.1177/014920639101700107>
- Bass, B. M. (1985). *Leadership and Performance Beyond Expectations*. New York: Free Press.
- Becker, B., & Gerhart, B. (1996). The Impact of Human Resource Management on Organizational Performance: Progress and Prospects. *Academy of Management Journal*, 39, 779-801. <http://dx.doi.org/10.2307/256712>
- Black, J. A., & Boal, K. B. (1994). Strategic Resources: Traits, Configurations and Paths to Sustainable Competitive Advantage. *Strategic Management Journal*, 15, 131-148. <http://dx.doi.org/10.1002/smj.4250151009>
- Boselie, P., Dietz, G., & Boon, C. (2005). Commonalities and contradictions in HRM and performance research. *Human Resource Management Journal*, 15(3), 67-94. <http://dx.doi.org/10.1111/j.1748-8583.2005.tb00154.x>
- Bowen, D. E., & Ostroff, C. (2004). Understanding HRM-Firm performance linkages: The role of the “strength” of the HRM system. *Academy of Management Review*, 29(2), 203-221.
- Bowen, D. E., Galang, C., & Pillai, R. (2002). The role of human resource management: An exploratory study of cross-country variance. *Human Resource Management*, 41, 103-122. <http://dx.doi.org/10.1002/hrm.10022>

- Boxall, P., & Purcell, J. (2008). *Strategy and Human Resource Management* (2nd ed.). New York: Palgrave Macmillan.
- Budhwar, P. (2000). Strategic integration and devolvement of human resource management in the UK manufacturing sector. *British Journal of Management*, 11(4), 285-302. <http://dx.doi.org/10.1111/1467-8551.00174>
- Budhwar, P. S., & Debra, Y. A. (2004). *Human Resource Management in Developing Countries*. London: Routledge.
- Buyens, D., & De Vos, A. (1999). The added value of the HR department. In Brewster C. & Harris H. (Eds.), *International HRM: Contemporary issues in Europe* (pp. 31-47). London and New York: Routledge.
- Cheddie, M. (2001). How to become a strategic partner. *HR Focus*, 78(8), 1-14.
- Chew, I. K., & Chong, P. (1999). Effects of Strategic Human Resource Management on Strategic Vision. *International journal of human resource management*, 10(6), 1031-1045. <http://dx.doi.org/10.1080/095851999340107>
- Chhinzer, N. (2004). Overcoming Obstacles in Creating Functional Human Capital Metrics. 25th Annual World Congress, Hamilton, ON, Canada.
- Collings, D. G., Demirbag, M., Tatoglu, E., & Mellahi, K. (2010). Strategic orientation, human resource management practices and organizational outcomes: evidence from Turkey. *International Journal of Human Resource Management*, 2(14), 2589-2613. <http://dx.doi.org/10.1080/09585192.2010.523577>
- Collins, C. J., & Smith, K. G. (2006). Knowledge exchange and combination: The role of human resource practices in the performance of high-technology firms. *Academy of Management Journal*, 49, 544-560. <http://dx.doi.org/10.5465/AMJ.2006.21794671>
- Combs, J., Liu, Y., Hall, A., & Ketchen, D. (2006). How much do high performance work practices matter? A meta analysis of their effects on organizational performance. *Personnel Psychology*, 59(3), 501-528. <http://dx.doi.org/10.1111/j.1744-6570.2006.00045.x>
- Conger, J. A. (1999). Charismatic and transformational leadership on organizations: An Insider's perspective on these developing streams of research. *Leadership quarterly*, 10(2), 145-179. [http://dx.doi.org/10.1016/S1048-9843\(99\)00012-0](http://dx.doi.org/10.1016/S1048-9843(99)00012-0)
- Cunningham, J. B., & Deborah, Y. A. (1995). Skills for Managing Human Resources in a Complex Environment: the Perceptions of Human Resource Managers in Singapore. *International Journal of Human Resource Management*, 6(1), 79-101. <http://dx.doi.org/10.1080/09585199500000004>
- Dany, F., Guedri, Z., & Hatt, F. (2008). New Insights Into the Link Between HRM Integration and Organizational Performance: The Moderating Role of Influence Distribution Between HRM Specialists and Line Managers. *The International Journal of Human Resource Management*, 19(11), 2095-2112. <http://dx.doi.org/10.1080/09585190802404320>
- Delaney, J. T., & Huselid, M. A. (1996). The impact of human resource management practices on perceptions of performance in for-profit and nonprofit organizations. *Academy of Management Journal*, 39, 949-969. <http://dx.doi.org/10.2307/256718>
- Delery, J. (1998). Issues of Fit in Strategic Human Resource Management Implications for Research. *Human Resource Management Review*, 8(3), 289-309. [http://dx.doi.org/10.1016/S1053-4822\(98\)90006-7](http://dx.doi.org/10.1016/S1053-4822(98)90006-7)
- Delery, J. E., & Doty, H. D. (1996). Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurational Performance Predictions. *Academy of Management Journal*, 39(4), 802-35. <http://dx.doi.org/10.2307/256713>
- Fleetwood, S., & Hesketh, A. (2007). HRM-performance research: undertheorized and lacking explanatory power. *International Journal of Human Resource Management*, 17(12), 1977-1993. <http://dx.doi.org/10.1080/09585190601041026>
- Godard, J. (2004). A critical assessment of the high-performance paradigm. *British Journal of Industrial Relations*, 42, 349-378. <http://dx.doi.org/10.1111/j.1467-8543.2004.00318.x>
- Grant, R. M. (1996). Toward a knowledge-based theory of the firm. *Strategic management journal*, 17(2), 109-122.
- Grundy, T. (1998). How are corporate strategy and human resources strategy linked? *Journal of General*

- Management*, 23(3), 49-72.
- Guest, D. E. (1990). Human resource management and the American dream. *Journal of Management Studies*, 27(4), 377-97. <http://dx.doi.org/10.1111/j.1467-6486.1990.tb00253.x>
- Guest, D. E. (2001). Human resource management: when research confronts theory. *The International Journal of Human Resource Management*, 12(7), 1092-1106. <http://dx.doi.org/10.1080/09585190110067837>
- Hope-Hailey, V., Gratton, L., McGovern, P., Stiles, P., & Truss, P. (1997). A Chameleon Function? HRM in the '90s'. *Human Resource Management Journal*, 7, 5-18. <http://dx.doi.org/10.1111/j.1748-8583.1997.tb00421.x>
- Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity and corporate financial performances. *Academy of management journal*, 38, 632-672. <http://dx.doi.org/10.2307/256741>
- Huselid, M., Jackson, S., & Schuler, R. (1997). Technical and strategic human resource management effectiveness as determinants of firm performance. *Academy of Management Journal*, 40, 171-188. <http://dx.doi.org/10.2307/257025>
- Ichniowski, C., & Shaw, K. (1999). The Effects of Human Resource Management on Economic Performance: An International Comparison of US and Japanese Plants. *Management Science*, 45(5), 704-723. <http://dx.doi.org/10.1287/mnsc.45.5.704>
- Kanter, R. (1989). *When giants learn to dance: Mastering the challenge of strategy*. New York: Simon & Schuster.
- Keegan, A., & Boselie, P. (2006). The lack of impact of dissensus inspired analysis on developments in the field of human resource management. *Journal of Management Studies*, 43(7), 1492-1511. <http://dx.doi.org/10.1111/j.1467-6486.2006.00638.x>
- Khatri, N. (1999). Emerging Issues in Strategic HRM in Singapore. *International Journal of Manpower*, 20(8), 51-2. <http://dx.doi.org/10.1108/01437729910302714>
- Kuvaas, B. (2008). An exploration of how the employee-organization relationship affects the linkage between perception of developmental human resource practices and employee outcomes. *Journal of Management Studies*, 45(1), 1-25.
- Lengnick-Hall, M. L., Lengnick-Hall, C. A., Andrade, L. S., & Drake, B. (2009). Strategic human resource management: The evolution of the field. *Human Resource Management Review*, 19(2), 64-85. <http://dx.doi.org/10.1016/j.hrmr.2009.01.002>
- Lewin, K., Lippitt, R., & White, R. (1939). Patterns of aggressive behaviour in experimentally created social climates. *Journal of Social Psychology*, 10, 271-299. <http://dx.doi.org/10.1080/00224545.1939.9713366>
- Lim, B., & Ployhart, R. E. (2004). Transformational leadership: Relations to the five-factor model and team performance in typical and maximum contexts. *Journal of Applied Psychology*, 89, 610-621. <http://dx.doi.org/10.1037/0021-9010.89.4.610>
- Massey, R. (1994). Taking a strategic approach to human resource management. *Health Manpower Management*, 20(5), 27-30. <http://dx.doi.org/10.1108/09552069410070651>
- Meindl, J. R. (1998). Invited reaction: Enabling visionary leadership. *Human Resource Development Quarterly*, 9, 21-24. <http://dx.doi.org/10.1002/hrdq.3920090103>
- Paauwe, J. (2009). HRM and performance: Achievements, methodological issues and prospects. *Journal of Management Studies*, 46(1), 129-155. <http://dx.doi.org/10.1111/j.1467-6486.2008.00809.x>
- Paauwe, J., & Richardson, R. (1997). Introduction special issue on HRM and Performance. *The International Journal of Human Resource Management*, 8, 257-262. <http://dx.doi.org/10.1080/095851997341621>
- Pfeffer, J. (1998). Seven practices of successful organisations. *California Management Review*, 40(2), 96-124. <http://dx.doi.org/10.2307/41165935>
- Porter, M. (1985). *Competitive Advantage*. New York, NY: Free Press.
- Purcell, J., & Kinnie, N. (2007). Human resource management and business performance. In Boxall, P., Purcell, J. & Wright, P. (Eds.), *The Oxford Handbook of Human Resource Management*. Oxford: Oxford University Press.

- Rees, C. J., & Johari, H. (2010). Senior manager's perception of the HRM function during times of strategic organisational change: case study evidence from a public sector banking institution in Malaysia. *Journal of Organisational Change Management*, 23(5), 517-536. <http://dx.doi.org/10.1108/09534811011071261>
- Richard, O. C., & Johnson, N. B. (2001). Strategic human resource management effective and firm performance. *International Journal of Human Resource Management*, 12(2), 299-310.
- Schuler, R. S., & Jackson, S. E. (1999). *Strategic human resource management: A reader*, London: Blackwell.
- Sullivan J. (2003). Knocking down the silos. *Human Resources*, 16-18.
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, 18(7), 509-533. [http://dx.doi.org/10.1002/\(SICI\)1097-0266\(199708\)18:7<509::AID-SMJ882>3.0.CO;2-Z](http://dx.doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z)
- Teo, S. (2002). Effectiveness of a corporate HR department in an Australian public sector entity during commercialization and corporatization. *International Journal of Human Resource Management*, 13(1), 89-105. <http://dx.doi.org/10.1080/09585190110092820>
- Teo, S. T. T. (2000). Evidence of strategic HRM linkages in eleven Australian corporatized public sector organizations. *Public Personnel Management*, 29(4), 557-574.
- Tyson, S. (1995). *Human Resource Management Strategy: Towards a general theory of Human Resource Management*. London: Pitman Publishers.
- Ulrich, D. (1997). *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results*. Boston, MA: Harvard Business School.
- Ulrich, D. (1998). A New Mandate for Human Resource. *Harvard Business Review*, 125-134.
- Uysal, G. (2008). Relationship Among HR and Firm Performance: A Turkey Context. *The Journal of American Academy of Business*, 13(2), 77-83.
- Wall, T., & Wood, S. (2005). The Romance of Human Resource Management and Business Performance, and the Case for Big Science. *Human Relations*, 58(4), 429-462. <http://dx.doi.org/10.1177/0018726705055032>
- Wright, P. M., & Snell, S. A. (1991). Toward an integrative view of strategic Human Resource Management. *Human Resource Management Review*, 1, 203-225. [http://dx.doi.org/10.1016/1053-4822\(91\)90015-5](http://dx.doi.org/10.1016/1053-4822(91)90015-5)
- Wright, P., & Boswell, W. (2002). Desegregating HRM: A Review and Synthesis of Micro and Macro Human Resource Management Research. *Journal of Management*, 28(3), 247-276. <http://dx.doi.org/10.1177/014920630202800302>
- Yukl, G. (1999). An evaluative essay on current conceptions of effective leadership. *European Journal of Work & Organizational Psychology*, 8(1), 33-48. <http://dx.doi.org/10.1080/135943299398429>
- Yukl, G. (2002). *Leadership in organizations* (5th ed.). Englewood Cliffs, NJ: Prentice-Hall.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/3.0/>).