

# The Impact of Transformational Leadership on Organizational Performance via the Mediating Role of Corporate Social Responsibility: A Structural Equation Modeling Approach

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Received: November 21, 2016

Accepted: December 12, 2016

Online Published: December 23, 2016

doi:10.5539/ibr.v10n1p199

URL: <http://dx.doi.org/10.5539/ibr.v10n1p199>

## Abstract

This study aims to examine the associated relationships between transformational leadership, corporate social responsibility, and organizational performance. A total of 217 questionnaires were gathered from employees operating the various pharmaceutical companies in Jordan and then were analysed using structural equation modelling (SEM). The results of the data were threefold. First, transformational leadership did not have a positive influence on organizational performance. Second, transformational leadership did have a positive influence on corporate social responsibility. Third, corporate social responsibility did have a positive influence on organizational performance. These findings may aid future researchers in their quest in understanding the inherent relationships that lie between the variables in question and may provide a platform for managers in their efforts to improve organizational performance.

**Keywords:** transformational leadership, corporate social responsibility, organizational performance, Jordan, structural equation modeling

## 1. Introduction

Organizations play an important role in our daily lives. They are considered to be the engine that drives a nation's economic, social, and political progress (El-Masri et al., 2015). Given that organizations face constant change in the environment surrounding them, managers and organizations have been urged to become more sensitive regarding employee and firm performance (Shahin et al, 2014; Masa'deh et al., 2015). Therefore, organizational performance has become a topic of interest for all organizations, profit or non-profit, and managers are interested in figuring out which factors influence organizational performance in order to take appropriate steps to initiate them (Shannak et al., 2012; Alenezi et al., 2015).

To ensure survival and achieve excellent performance, companies have adopted various business tools and management philosophies that lead to better results and higher profit margins (Hernaus et al, 2012; Al-Busaidi, 2013). Organizations have started to focus their attention on corporate social responsibility to improve their performance (Ainin et al., 2016; Vratskikh et al., 2016). The reason behind this is that even though profitability has traditionally been regarded as a measure of organizational success, recent views suggest that other factors have come into play (Erhemjants et al, 2013; Obeidat, 2016a). According to Carroll and Shabana (2010) over the last few decades, corporate social responsibility has gained considerable attention in both academic and practitioner communities around the world. This is due to the notorious corporate scandals involving companies such as Enron, Worldcon, and Tyco international (Berrone et al, 2007). Furthermore, globalization, the complexity of today's environment, labor exploitation, environmental disregard, misconduct, and the increasing public concern for the natural environment, for the respect of human rights, for the ethical aspects of business and for social issues have also contributed to making corporate social responsibility an important topic (Abdallah et al., 2014; Wang, 2011; Jammulamadaka, 2013).

Because of these conditions governments have not been able to handle all the needs of society on their own and as a result have recruited the help of businesses by pushing them to assume their role in society (Jamali and Mirshak, 2007; Masa'deh et al, 2015). According to Berland and Loison (2008) organizations must take into account not just their economic performance but also their social and environmental performance. Pursuing economic performance only may lead to overlooking the natural environment and instrumental groups and hence the disruption of the firm's survival (Peters, 2007; Obeidat, 2016b). Therefore, it can be seen that the survival of organizations no longer depends on financial competitiveness on its own and that organizations have to justify their existence to all stakeholders by satisfying their needs as well as all the social actors that are interested in the company (Daza, 2009; Al-Busaidi, 2014). Cegarra-Navarro and Martinez-Martinez (2009) support this by suggesting that corporate social responsibility mechanisms are used to ensure firm survival and efficiency and in turn may be related to the performance of organizations.

Another way organizations can improve their performance is through leadership. Leadership is seen as one of the most critical factors affecting the improvement of organizational performance and its fortunes (Pradhan and Pradhan, 2015; Bisharat et al., 2017). Leadership influence on organizational performance can be seen as twofold. First, leadership can influence performance directly. According to Koech and Namusonge (2012) leadership has been reported as a major determinant of the success or failure of a group, organization, or even a country. Organizations tend to focus on leadership as it is considered a way by which they can improve their performance and deal with the volatile environment they face (Obiwuru et al, 2011). Furthermore, Sanhueza (2011) adds to this by stating that leadership allows organizations to maintain flexibility and therefore adapt to changing environments. As a result, the leadership style adopted by organizations has a major influence on the efficiency of resource mobilization, allocation, utilization and the enhancement of organizational performance (Obiwuru et al, 2011; Guenzi et al., 2016). In other words, every business has its unique challenges and requires the right leader and the right leadership style to face them successfully (Rao, 2014). Second, leadership can influence performance indirectly through corporate social responsibility. Dincer and Dincer (2013) stated that effective modern leadership requires leaders to understand the decision making processes and their influences as the decision made by the leader regarding the adoption of corporate social responsibility may reflect various influences on the effectiveness of the organization's operations. The major challenge facing management is the need to enhance the welfare of the firm while simultaneously balancing the needs of its stakeholders (Waldman et al., 2004; Obeidat et al., 2012). In this case leaders need to balance both economic and non-economic goals and monitor both short-term and long-term performance (Allio, 2013). This requires leaders to broaden their view of the traditional leader-subordinate relationship to a leaders-stakeholder relationship in order to build ethically sound relations towards different stakeholders in society (Du et al, 2013; Hamoud et al., 2016). One way organizations can achieve this broader view is through transformational leadership as it can lead to the adoption of corporate social responsibility practices that attend to the needs of both primary and secondary stakeholders (Vera and Crossan, 2004). These leaders take into account both social and environmental impact as they are able to span boundaries, listen to diverse constituencies, have the courage to make tough decisions, deal with complexity and see the firm in a larger context (D'Aamto and Roome, 2009).

## **2. Literature Review**

### *2.1 Leadership*

Environmental instability, crises, and major change have contributed to the increasing need of organizations for leadership (McDermott et al, 2011). It must be made clear that managers and leaders are not interchangeable in meaning as the difference between management and leadership impacts the way business processes are carried out in the organization. Managers exercise control, emphasize rationality, expect employees to operate efficiently, and do not involve in risk-taking activities. Leaders on the other hand make practical efforts to perform tasks, have personal attitudes towards achieving goals, and perform risk-taking activities (Birasnav, 2014; Altamony et al., 2016).

Leadership can be defined as "a social influence process. It involves determining the group or the organization's objectives, encouraging behaviours in pursuit of these objectives, and influencing group maintenance and culture. It is a group phenomenon; there are no leaders without followers" (Erkutlu, 2008). Leadership can also be defined as the ability to influence, motivate, and enable others to contribute to the success and effectiveness of their organizations (Sanhueza, 2011). Another definition refers to leadership as interpersonal influence in a given situation directed through the communication process to achieve a specific goal (Birasnav, 2014). Tuan (2012) also defined leadership as "an interaction between two or more members of a group that often involves a structuring or restructuring of the situation and the perceptions and expectations of the members. Leaders are agents of change processes whose acts affect other people more than other people's acts affect them" (P.350). All

in all, the essence of leadership revolves around achieving the goals and objectives of the organization through people (Koech and Namusonge, 2012). Therefore, it is clear that the right leadership is needed in order for organizations to succeed (Rao, 2014).

Individuals evolve into leaders as a result of experience of dealing with new challenges and integrating these experiences into a personal leadership style (Allio, 2013; Tarhini et al., 2015). According to Obiwuru et al (2011) the degree to which individuals exhibit leadership depends on the individual's characteristics and personal traits in addition to the situation and environment in which he/she is in. Some of the most important traits that influence leadership effectiveness include: honesty, integrity and trustworthiness (Hassan et al, 2013). Situational or environmental factors that affect leadership are; the expectations of the followers, the culture of the organization and circumstances, the task at hand, and the context all seem to dictate how and when leadership appears (Allio, 2013). Organizations pursuing corporate social responsibility as citizenship behaviour require leaders who possess natural intelligence, network analysis, holistic system thinking, cross cultural understanding, power sharing, and the ability to set high standards, to promote dialogue and engagement, and to balance the economic and social factors of the organization (D'Amato and Roome, 2009).

When reviewing the literature regarding leadership styles one can find that the most prominent leadership styles are transformational leadership and transactional leadership as suggested by Bass (1985). Transactional leadership is mainly used to satisfy self-interests of both the leader and the follower, whereas transformational leadership emphasizes self-sacrifice for the good of the larger group (Waldman et al, 2004). Furthermore, the difference between transformational and transactional leadership can also be seen in terms of what the leaders and followers offer each other, the complexity of the relationship and how powerful it is.

The main focus of this study will be on transformational leadership in accordance with study conducted by Du et al (2013).

### 2.1.1 Transformational Leadership

Even though there many theories regarding leadership, transformational leadership has been the most frequently supported leadership theory over the past two decades (Guay, 2013; Hassouna et al., 2015).

Transformational leadership has gone through a number of iterations in terms of its definition. Transformational leadership can be defined as "leadership that transforms individuals and organization through as appeal to values and long term goals" (Muijs, 2011, p.49). According to Du et al (2013) the transformational leader is one that articulates a shared vision of the future, stimulates followers intellectually, and recognizes the differences between employees. Rao (2014) referred to transformational leadership as a process of developing people and organizations by achieving laid out goals and objectives and reinforcing values and ethics among people. Transformational leadership can also be defined as "a motivational leadership style which includes presenting a clear organizational vision and inspiring employees to work towards this vision through establishing connections with employees, understanding employees' needs, and helping employees reach their potential, contributes to good outcomes for the organization" (Fitzgerald and Schutte, 2010). The effectiveness of a transformational leader is affected mainly by three factors: the organization's position on the continuum of organizational receptivity, the degree of correspondence between the transformational process required by the organization's position and the actual transformational process undertaken, and the transformational leader's capabilities for undertaking the appropriate transformational process (Beugre', 2006).

Transformational leadership can take several forms. Two types of transformational leadership have been identified by Burns (1978) which include the reformer and the revolutionist. The reformer seeks to modify the parts in a harmonious way in accordance with existing trends and prevailing principles and movements. The revolutionist seeks to redirect or reverse movements and mutation of principles and tries to apply it to the whole rather than the parts.

Furthermore, transformational leadership consists of four dimensions which include: idealized (Charismatic) influence which emphasizes trust, values and ethics. The leader here also instils pride, faith, respect and sees what is really important and transmits a sense of mission. Inspirational motivation consists of leaders providing meaning and challenge to followers' work and using inspirational messages to arouse emotions. In addition, the leader uses symbols and emotional appeals to focus followers' efforts thus encouraging them to achieve more than they would base on their own self-interest. Intellectual stimulation encourages new ways of thinking by challenging old assumptions, beliefs, and traditions and stress the importance of problem solving skills and the use of reasoning. Followers are also encouraged to challenge the status quo, question old assumptions, reformulate problems, satisfy their intellectual curiosity and use their imagination. Individualized consideration refers to leaders to who are considerate of followers' needs, abilities, and goals and provide the necessary

coaching and mentoring. The leader also delegates projects in order to stimulate learning experiences (Guay, 2013; Cheung and Wong, 2011).

Idealized influence and inspirational leadership can be seen when a leader envisions a desirable future, provides direction of how to achieve it, sets an example to be followed, sets high performance standards, and shows determination and confidence. Intellectual stimulation is displayed when the leader helps the followers to become more innovative and creative. Individual consideration is displayed when leaders support and coach followers to further their development needs (Erkutlu, 2008).

As a result, transformational leadership is considered the best style for organizations wanting to introduce some sort of change to the organization as the transformational style creates change in the lives of people and organizations by changing and redesigning the perceptions, values, expectation, and aspirations held by employees (Bacha, 2014). In addition, it can lead to longer-term change and more genuine organizational reform by increasing the employees' perception of the importance of organizational goals pursued, transcending employees' own self-interests and driving them to address higher-level needs all in pursuit of what is good for the organization (Muijs, 2011; Guay, 2013).

## 2.2 Corporate Social Responsibility (CSR)

The major question facing organizations is what objectives should they pursue, making profits for their owners or making other economic and social contributions to society? (Grbac & Loncaric, 2009; Orozco et al., 2015). Two approaches come into play that can help organizations answer this question. The shareholder approach which refers to an organization's responsibility to increase its profits in order to leverage the economic value of the firm for its shareholders. This approach overlooks social issues and takes a narrow view of human beings' needs and expectations. The stakeholder approach on the other hand states that organizations are not only responsible to their shareholders but should also balance the interests of other stakeholders who can influence and be influenced by organizational activities. This approach ultimately links ethical theory with managerial theory but fails to provide specific objective functions for organizations (Mele, 2008; Wang, 2011). Organizations should establish a balance between the profit achieved and expense made as the firm's primary obligation should be to maximize its positive influence and minimize the negative effects of its actions by taking the long term needs of society into consideration (Garbac and Loncaric, 2009).

Focusing solely on the objective of increasing corporate wealth is starting to vanish against the broader concept of organizational success as corporations today are more concerned about gaining sustainable growth (Ali et al, 2010). The concept of corporate social responsibility was initiated in 1924 by Sheldon but did not gain major interest until the 1960s and beyond. Since then businesses, society, governments, and academia alike have all taken an interest in this subject (Carroll and Shabana, 2010; Wang, 2011). Corporate social responsibility is based on the idea that business is a part of society and should manage its operations in ways that allows it to co-exist with the various stakeholders in society (Freeman et al, 2004). Corporate social responsibility is considered a response to social pressures, environmental concerns, and stakeholder demands which characterize the dimensions of corporate social responsibility (Crisostomo et al, 2011). Over the years many definitions of corporate social responsibility have been provided but first one must understand the concept of responsibility in order to understand what is meant by a firm's social responsibility. Responsibility refers to the state of being accountable either legally or ethically for carrying out duties for the care of something or someone (Argandona and Hoivik, 2009). Corporate social responsibility (CSR) can be defined as an organization's commitment to improve the well-being of society by utilizing the company's resources and performing discretionary practices (Kotler and Lee, 2005). Filho et al (2010) referred to corporate social responsibility as "a form of management that is defined by the ethical relationship and transparency of the company with all the stakeholders with whom it has a relationship with as well as with the establishment of corporate goals that are compatible with the sustainable development of society, preserving environmental and cultural resources for future generations, respecting diversity and promoting the reduction of social problems" (p.296). The European Commission (2002) defined CSR as a concept whereby companies integrate social and environmental concerns into their business operations and interaction with their stakeholders. Taghian et al. (2015) defined CSR as the activities asked by governing bodies to benefit social and environmental causes that are passed to the organization's stakeholders. In essence CSR refers to the social or environmental behaviours of the company that transcend beyond the legal requirements of the economy (Kitzmueller, 2010).

Organizations are facing increased pressure to engage in CSR activities however organizations see CSR as a cost and thus are reluctant to adopt it (Buciuniene and Kazleuskaite, 2012). According to Ali et al (2010) organizations should see the amounts spent on CSR as an investment rather than an expense. This is because

CSR provides organizations with many benefits. These benefits include minimum conflict with stakeholders, maximum loyalty from all stakeholders, attainment of competitive advantage, building and sustaining corporate reputation, financial soundness, effectiveness in doing business, quality of products and services, innovativeness, improved company image, the ability to charge premium price for company products, and the ability to attract and retain high quality employees (Morrison-Paul and Siegel, 2006; Mozes et al, 2011; Ali et al, 2010; Buciniene and Kazleuskaite, 2012; Cegarr-Navarro and Martines-Martines, 2009). In addition, Okwemba et al (2014) reported that CSR is used by organizations as a strategy to save them from unforeseen risks and scandals and possible environmental accidents, to protect their profits, and to have a better relationship with employees based on volunteerism.

Many organizations offer guidelines for measuring aspects of social responsibility such as the EFQM business excellence model, dispositions of the United Nations, the European community green book, and the global reporting initiative guide (Daza, 2009). CSR can also be measured using the KLD index developed by Kinder and Co. (Erhemjants et al, 2013). For the purpose of this study Carroll's (1979) model which is comprised of economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility will be used as the basis for measuring CSR.

### 2.2.1 Economic Responsibility

A company's first responsibility is its economic responsibility. This is due to the fact that organizations that don't make money fail to and disappear leading to employees losing their jobs. As a result organizations must be profitable in order for them to be good citizens (Scilly, 2014). Economic responsibility refers to the profitability and competitiveness of an organization and its subsequent socioeconomic impact (Wang, 2011). Here organizations produce products and services required by society and sell them for a profit (Jones et al, 2009). However, organizations need to acknowledge that their economic performance is not something they do only for themselves but also for society (Carroll and Shabana, 2010).

In the end economic responsibility is considered the most important responsibility as businesses that are not profitable cannot move on to fulfil their other responsibilities (Smirnova, 2012).

### 2.2.2 Legal Responsibility

The society in which organizations operate encompasses specific regulations, laws, and standards of behaviour that organizations are expected to follow and respect in all their business activities (Longo et al, 2005; Jourdan & Kivleniece, 2016). Legal responsibility refers to the positive and negative obligations placed by the laws and regulations of society on organizations (Carroll and Shabana, 2010). It includes obeying and respecting the rules, laws, regulations developed by society (Grbac and Loncaric, 2009; Jones et al, 2009).

Obeying all the laws is considered the most important responsibility for firms after economic responsibility according to the theory of CSR (Scilly, 2014). However, laws are not sufficient to address every aspect and scenario required for individual and organizational behaviour (Vives, 2008).

### 2.2.3 Ethical Responsibility

Economic and legal responsibilities are considered to be a company's biggest obligation. After meeting these two requirements organizations are free to pursue their ethical responsibilities (Scilly, 2014). Ethical responsibility can be defined as "a corporation's voluntary actions to promote and pursue social goals that extend beyond their legal responsibilities" (Carroll and Shabana, 2010). It refers to organizations doing what is right, just and fair (Grbac and Loncaric, 2009). By undertaking ethical responsibility organizations transcend economic and legal considerations as they voluntarily try to satisfy certain expectations that are not backed up by regulations but are expectations that society wants businesses to fulfil (Longo et al, 2005). However, knowing what is right or wrong is difficult as ethical standards are not explicit or codified (Smirnova, 2012).

### 2.2.4 Philanthropic/Discretionary Responsibility

After organizations have met all of their other responsibilities, they can begin to meet their philanthropic responsibilities which involves companies going above and beyond what is required or what the company believes is right (Scilly, 2014).

Philanthropic responsibility is considered to be the highest level of social responsibility and includes a company's voluntary contributions to society (Grbac and Loncaric, 2009). According to Carroll and Shabana (2010) philanthropic/discretionary responsibility encompasses "those corporate actions that are in response to society's expectations that business be a good citizen, this includes actively engaging in acts or programs to promote human-welfare or goodwill" (p.96). Philanthropic responsibility represents voluntary actions of

organizations such as charity, donations, financial and other contributions that aim to improve the quality of life in the community (Smirnova, 2012). The most prominent philanthropic activity organizations engage in is donation. Organizations usually make donations directed at various causes such education, community improvement, and arts and culture (Seifert et al, 2004).

### *2.3 Organizational Performance*

Organizations today are trying to adapt to all the changes surrounding them by improving their performance through the competitive advantage they create (Ramezan et al, 2013; Masa'deh et al., 2015). Researchers have always looked at organizational performance as the ultimate dependent variable concerned with almost every area in management. This is because organizational performance allows researchers to evaluate organizations, their actions, and environments and compare them to those of their rivals (Richard et al, 2006; Obeidat, 2016).

Most literature suggests that when it comes to organizational performance, researchers find it difficult to define, conceptualize, and measure this concept (Taghian et al., 2015). Regarding the definition of organizational performance each person tends to have a different conceptualization of performance in general and organizational performance in particular. From a process point of view, performance refers to the transformation of inputs into outputs to achieve specific outcomes. From an economic point of view, performance is the relation between effective cost, realized output, and achieved outcomes (Abu Jarad et al, 2010; Masa'deh et al., 2016). Organizational performance can be defined as the degree to which an organization is able to meet its own needs and the needs of its stakeholders in order to survive (Griffin, 2003). Carton (2004) suggested that organizational performance is the voluntary association of productive assets that lead to the achievement of shared purpose. Another definition of organizational performance refers to it as “the ability to acquire and process properly human, financial, and physical resources to achieve the goals of the organization” (Ramezan et al, 2013).

Regarding the measurement of organizational performance, there is agreement between scholars that having a performance measurement system in place is crucial for organizations as it provides information on the quality of processes performed within an organization, helps in developing strategic plans, and evaluates the fulfilment of organizational objectives (Abu Jarad et al, 2010; Gavrea et al, 2011; Almajali et al., 2016). Traditionally organizations measured their performance using financial measures, however these measures have been criticized as they encouraged short-term view, rewarded short-term or incorrect behaviour, caused management frustration and resistance, lacked strategic focus and the ability to provide data about quality, and failed to provide information about customer requirements and the quality of competitors' performance (Yukl, 2008; Shahin et al, 2014). Given the downfalls of focusing solely on financial measures organizations have moved to adopting other methods for measuring performance. Kaplan and Norton (1992) developed the balanced score card (BSC) as a method to measure performance. This method provides a comprehensive framework for managers that allow them to modify the strategies of their organizations into a set of performance criteria. Tsai and Yen (2008) suggested that organizational performance can be measured using social and innovative performance in addition to financial and market performance. Mitchell (2002) provided four dimensions for measuring organizational performance which include: relevance of the company to stakeholder needs, effectiveness of the company, the efficiency of the company, and the financial viability of the company. Lee (2008) provides another way for measuring organizational performance through stakeholder satisfaction, organizational communication, team collaboration, strategic performance, knowledge management, and organizational growth. Even though the process of measuring organizational performance is already considered to be complex, it is reported that it will likely become even more complex due to changing stakeholder expectations concerning an organization's economic, social and environmental responsibilities (Hubbard, 2009; Masa'deh et al., 2015).

The performance of organizations is affected by internal and external factors. Internal factors are considered firm specific and include leadership style, organizational culture, job design, and human resource policies. External factors can be the same for all firms, these include market preferences and perceptions, country rules and regulations, and the economy of the country (Chien, 2004; Mirza and Javed, 2013).

In this study the dimensions of financial and non-financial performance will be used to measure organizational performance based on the study conducted by Hernaus et al (2012).

#### *2.3.1 Financial Performance*

Organizational performance measurement has become an increasingly important matter in order for organizations to survive under the pressure of world class competition (Skrinjar et al, 2008; Al-Syaith et al., 2015; Mahadeen et al., 2016). Financial performance refers to “a measure of the change of the financial state of

an organization, or the financial outcomes that results from management decisions and the execution of those decisions by members of the organization” (Carton, 2004). Thus financial performance is regarded as a direct indicator of a firm’s financial condition from various perspectives (Shi and Yu, 2013; Cegarra-Navarro et al., 2016). Financial measures can be found in financial statements and accompanying notes (Wang et al, 2015). An example of financial measures includes: economic values added, revenue growth, costs, profit margins, cash flow, and net operating income (Rasula et al, 2012; Obeidat et al., 2014). These measures are considered to be more objective compared to non-financial measures which are more subjective in nature (Abu Jarad et al, 2010; Masa’deh et al., 2014).

Prieto and Revilla (2006) stated that numerous factors affect a firm’s financial performance some of these factors are; economic conditions, changing government regulations, technological developments, and changes in the cost of producing and delivering products or services.

Despite its popularity, financial measures of performance are no longer considered adequate means for exercising management control as they encompass many weaknesses such as failing to convey strategies and priorities effectively within an organization (Hernaus et al, 2012). Furthermore, they fail to supply sufficient data to executives to assure continued performance improvement and invention (Wang et al, 2015).

### 2.3.2 Non-financial Performance

By the 1980s it became clear that traditional financial measures of performance were no longer sufficient to manage organizations competing in demanding and competitive markets (Ramezan et al, 2013). This implies that financial measures that emphasize short-term indicators such as profit, turnover, and cash flow are not suitable anymore for measuring organizational performance and as a result non-financial measures have increased in importance (Tseng, 2010; Maqableh et al., 2014).

According to Khan et al (2011) non-financial performance measures focus on achieving long-term success and incorporates factors that lead to improved organizational and financial performance. These non-financial measures include customer satisfaction, internal business process efficiency, innovation, employee satisfaction, and organizational commitment (Abu Jarad et al, 2010; Khan et al, 2011; Al-Sarayrah et al., 2016). In addition, Kaplan and Norton (2001) suggested that non-financial performance measures help managers in various ways. They help them assess the changes that occur in their business environments, determine and evaluate progress towards organizational goals, and affirm achievement of performance.

Figure 1 demonstrates the research’s conceptual framework and the hypothesized relationships between the adopted constructs.

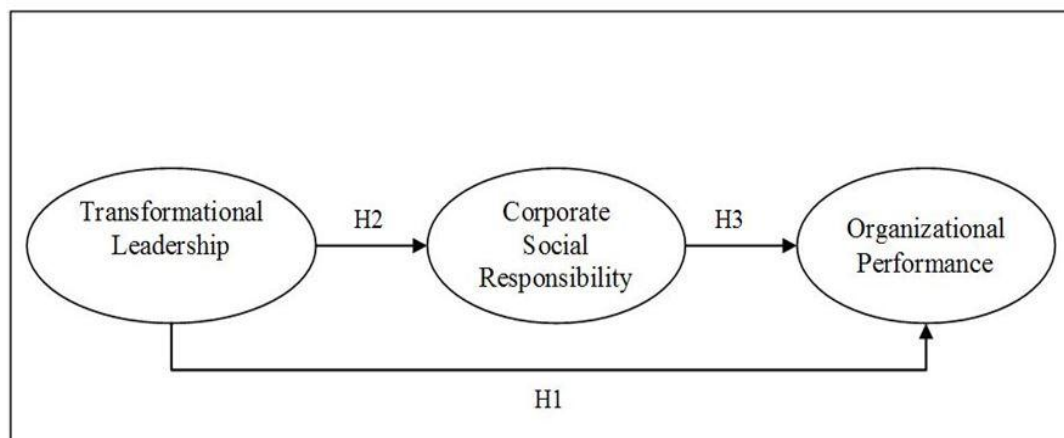


Figure 1. The proposed conceptual framework

H1: Transformational leadership will have a direct positive influence on organizational performance

H2: Transformational leadership will have a direct positive influence on corporate social responsibility

H3: Corporate social responsibility will have a direct positive influence on organizational performance

## 3. Research Methodology

### 3.1 Research Design

This research uses a structural equation modeling (SEM) approach based on AMOS 20.0 to study the causal

relationships and to test the hypotheses between the observed and latent constructs in the proposed research model. SEM can be divided into two sub-models: a measurement model and a structural model. While the measurement model defines relationships between the observed and unobserved variables, the structural model identifies relationships among the unobserved/latent variables by specifying which latent variables directly or indirectly influence changes in other latent variables in the model (Byrne, 2001; Hair et al., 2010). Furthermore, the structural equation modeling process consisted of two components: validating the measurement model and fitting the structural model. While the former is accomplished through confirmatory factor analysis, the latter was accomplished by path analysis with latent variables (Kline, 2005). Using a two-step approach assures that only the constructs retained from the survey that have good measures (validity and reliability) will be used in the structural model (Hair et al., 2010).

Table 1. Constructs and measurement items

Construct	Measurement Items
Transformational Leadership (TL)	TL1: Seek differing perspectives when solving problems. TL2: Get others to look at problems from many different angles. TL3: Suggest new ways of looking at how to complete assignments. TL4: Talk about their most important values and beliefs. TL5: Specify the importance of having a strong sense of purpose. TL6: Consider the moral and ethical consequences of decisions. TL7: Emphasize the importance of having a collective sense of mission. TL8: Talk optimistically about the future. TL9: Talk enthusiastically about what needs to be accomplished. TL10: Articulate a compelling vision of the future. TL11: Express confidence that goals will be achieved. TL12: Instil pride in others for being associated with them. TL13: Go beyond self-interest for the good of the group. TL14: Act in ways that build others' respect for me. TL15: Display a sense of power and confidence.
Economic Responsibility (ER)	ER1: Companies should be bound to achieve maximum profitability. ER2: Companies should conduct business just for profit. ER3: Companies should work only for the shareholders' interests. ER4: Companies should always improve economic performance. ER5: Companies should take profitability as the only measure of effectiveness. ER6: Companies should take profit as the company's only concern.
Legal Responsibility (LR)	LR1: Companies should be only allowed to do what is explicitly permitted by law. LR2: Companies should always submit to the newest legal principles as soon as possible. LR3: Companies should not necessarily obey the law at all costs. LR4: Companies should obey the law and regulations in all circumstances. LR5: Companies should always conduct business in line with legal principles.
Ethical and Discretionary (Philanthropic) Responsibility (PR)	PR1: Companies should first meet all ethical business principles and then think of profit growth. PR2: Companies should define ethical standards and be faithful to them at all times. PR3: Companies should check every business decision in light of ethical standards. PR4: Companies should consider people, society, and nature before profit. PR5: Companies should conduct ethical business despite being less economically efficient. PR6: Companies should consider moral standards on account of profit. PR7: Companies should play a crucial role in projects aimed at quality of life improvement. PR8: Companies should reinforce their voluntary activities for society welfare. PR9: Companies should have a clear politics for solving urgent social and societal problems. PR10: Companies should offer job opportunities for vulnerable groups. PR11: Companies should actively seek to reduce unemployment.
Financial Performance (FP)	FP1: Profitability of the firm increases faster compared to industry average. FP2: Return on assets (ROA) of the firm is significantly higher than industry average. FP3: Value added per employee is significantly higher than industry average.
Non-Financial Performance (NP)	NP1: We retain existing clients and manage to attract new ones. NP2: The number of customer complaints within the last period has increased strongly. NP3: Reputation of our company in eyes of the customers has improved. NP4: We consider our relations with suppliers to be excellent because we maintain genuine partnerships with them. NP5: There is a mutual trust between our company and our suppliers. NP6: Quality of our products is well above the industry average.

The basis for data collection and analysis is a field study in which respondents answered all items on a five point Likert-scales ranging from 1 (strongly disagree) to 5 (strongly agree). Furthermore, elements used to consider each of the constructs were primarily obtained from prior research. These elements provided a valued source for data gathering and measurement as their reliability and validity have been verified through previous research and



peer reviews. Transformational leadership construct and its corresponding items were adapted from knowledge management assessment instrument by Liebowitz (2004), De Vries et al. (2006); and validated by Mehrabani and Shajari (2012). Corporate social responsibility constructs and their corresponding items (i.e. economic responsibility, legal responsibility, and ethical and discretionary responsibility) were derived from Becerra-Fernandez and Sabherwal (2001), Lee and Choi (2003), Wasko and Faraj (2005), Chiu et al. (2006); and validated by Chang et al. (2012). Organizational performance constructs and their corresponding items (i.e. financial performance, and non-financial performance) were adapted from Tseng and Huang (2011). Table 1 shows the measured constructs and the items measuring each construct.

### 3.2 Sample and Procedure

A survey questionnaire was used to gather data for hypotheses testing from the Pharmaceutical companies in Jordan. Before implementing the survey, the instrument was reviewed by four employees at four different pharmaceutical companies in order to identify problems with wording, content, and question ambiguity. Some minor edits were introduced and some changes were made based on their suggestions. The population of this study consists of all employees at all the managerial levels working at the thirteen pharmaceutical companies located in Jordan, which counts of more than 2500 according to their human resource units. The sample size of this study was determined based on the rules of thumb for using SEM within AMOS 20.0 in order to obtain reliable and valid results. Kline (2010) suggested that a sample of 200 or larger is suitable for a complicated path model. Furthermore, taking into account the complexity of the model which considers the number of constructs and variables within the model and after eliminating the incomplete surveys, our sample size (217) meets the recommended guidelines of Kline (2010), Krejcie and Morgan (1970) and Pallant (2005). The demographic data of the respondents are reported in Table 2.

Table 2. Demographic Data for respondents

Category	Frequency	Percentage %
Gender		
Male	359	58.9
Female	251	41.1
Total	610	100
Age		
20 years- less than 30	104	17
30 years - less than 40	302	49.5
40 years - less than 50	156	25.6
50 years and above	48	7.9
Total	610	100
Years of Experience		
5 years and less	61	10
5 years - less than 10	311	51
10 years - less than 15	185	30.3
15 years and above	53	8.7
Total	610	100

As shown in Table 2, the demographic profile of the respondents for this study revealed that the sample consisted of more males, most of them experienced, 83% of them are more than 30 years old.

## 4. Research Results

### 4.1 Descriptive Statistics

All the 46 items were tested for their means, standard deviations, skewness, and kurtosis. The descriptive statistics presented below in Table 3 indicate a positive disposition towards the items. While the standard deviation (SD) values ranged from 0.71109 to 1.13895, these values indicate a narrow spread around the mean. Also, the mean values of all items were greater than the midpoint (2.5) and ranged from 2.1131 (TL3) to 4.2836 (TL12). However, after careful assessment by using skewness and kurtosis, the data were found to be normally distributed. Indeed, skewness and kurtosis were normally distributed since most of the values were inside the adequate ranges for normality (i.e. -1.0 to +1.0) for skewness, and less than 10 for kurtosis (Kline, 2010). Furthermore, the ordering of the items in terms of their means values, and their ranks based on three ranges (i.e. 1– 2.33 low; 2.34 – 3.67 medium; and 3.68 – 5 high) are provided.

Table 3. Mean, Standard Deviation of Scale Items

Construct/Items	Mean	S.D	Order	Rank	Skewness	Kurtosis
<b>Transformational</b>						
Leadership	4.033	1.070	4	High	-1.050	0.572
TL1:	4.085	1.053	2	High	-1.237	1.111
TL2:	2.113	1.031	15	Low	1.062	0.946
TL3:	4.018	1.086	5	High	-1.107	0.699
TL4:	3.869	1.106	10	High	-0.826	0.091
TL5:	2.492	1.027	12	Medium	0.950	0.713
TL6:	3.947	1.068	7	High	-0.991	0.495
TL7:	4.007	1.044	6	High	-1.038	0.683
TL8:	3.938	1.085	8	High	-0.966	0.425
TL9:	3.738	1.027	11	High	-0.517	-0.133
TL10:	4.07	1.082	3	High	-1.151	0.705
TL11:	4.283	0.711	1	High	-0.472	-0.932
TL12:	2.362	1.040	13	Medium	0.954	0.662
TL13:	3.921	1.130	9	High	-0.919	0.161
TL14:	2.175	1.021	14	Low	0.964	0.769
TL15:						
<b>Economic Responsibility</b>						
ER1:						
ER2:	4.064	1.098	1	High	-1.261	1.028
ER3:	2.487	1.043	6	Medium	0.953	0.673
ER4:	2.503	1.018	5	Medium	0.954	0.736
ER5:	4.052	1.139	2	High	-1.004	0.176
ER6:	3.903	1.045	3	High	-0.827	0.225
	3.826	1.076	4	High	-0.783	0.162
<b>Legal Responsibility</b>						
LR1:	4.052	1.133	3	High	-1.128	0.515
LR2:	2.893	1.004	4	Medium	-0.896	0.207
LR3:	4.070	1.126	2	High	-1.157	0.592
LR4:	4.079	1.093	1	High	-1.215	0.827
LR5:	2.498	0.919	5	Medium	-1.282	0.950
<b>Ethical &amp; Discretionary Responsibility</b>						
PR1:	3.239	1.037	3	Medium	0.926	0.709
PR2:	3.992	1.062	1	High	-1.064	0.646
PR3:	3.982	1.111	2	High	-1.036	0.455
PR4:	3.182	1.097	4	Medium	0.983	0.542
PR5:	2.419	1.051	11	Medium	1.042	0.858
PR6:	2.488	1.108	10	Medium	0.938	0.383
PR7:	3.136	1.007	8	Medium	0.934	0.803
PR8:	3.160	1.014	6	Medium	0.942	0.770
PR9:	3.164	1.005	5	Medium	0.805	0.417
PR10:	2.509	1.015	9	Medium	0.838	0.502
PR11:	3.155	1.049	7	Medium	0.935	0.582
<b>Financial Performance</b>						
FP1:	4.015	1.0804	1	High	-1.119	0.759
FP2:	3.902	1.089	2	High	-0.922	0.347
FP3:	3.650	1.049	3	Medium	-0.639	0.229
<b>Non-Financial Performance</b>						
NP1:	4.111	1.075	2	High	-1.272	1.100
NP2:	3.160	1.042	5	Medium	0.887	0.489
NP3:	3.959	1.095	3	High	-1.033	0.546
NP4:	4.175	0.773	1	High	-0.313	-1.268
NP5:	2.993	1.086	6	Medium	-1.091	0.664
NP6:	3.939	1.086	4	High	-0.959	0.409

Table 4 shows different types of goodness of fit indices in assessing this study initial specified model. It demonstrates that the research constructs fit the data according to the absolute, incremental, and parsimonious model fit measures, comprising chi-square per degree of freedom ratio ( $\chi^2/df$ ), Incremental Fit Index (IFI), Tucker-Lewis Index (TLI), Comparative Fit Index (CFI), and Root Mean Square Error of Approximation (RMSEA). The researchers examined the standardized regression weights for the research's indicators and found that all indicators had a high loading towards the latent variables. Moreover, since all of these items met the minimum recommended value of factor loadings of 0.50; and RMSEA less than 0.10 (Newkirk and Lederer, 2006; Hair et al., 2010; Kline, 2010), they were all included for further analysis, except TL3, TL6, TL15, LR2,

LR5, PR5, PR6, PR10 and NP5 which has a loading of 0.411, 0.398, 0.298, 0.391, 0.369, 0.377, 0.345, 0.349, and 0.406 respectively, thus excluded from further analysis. Therefore, the measurement model showed a better fit to the data (as shown in Table 4). For instance,  $\chi^2/df$  was 1.562, the IFI = 0.86, TLI = 0.85, CFI = 0.86; and RMSEA 0.028 indicated better fit to the data considering all loading items.

Table 4. Measurement Model Fit Indices.

Model	$\chi^2$	df	p	$\chi^2/df$	IFI	TLI	CFI	RMSEA
Initial Model	1749.304	974	0.000	1.796	0.86	0.85	0.86	0.031
Final Model	984.060	630	0.000	1.562	0.85	0.84	0.85	0.028

Table 5. Properties of the Final Measurement Model

Constructs and Indicators	Std. Loading	Std. Error	Square Multiple Correlation	Error Variance	Cronbach Alpha	Composite Reliability	AVE
Transformational Leadership					0.914	0.95	0.54
TR1	0.679	***	0.443	0.243			
TR2	0.633	0.126	0.524	0.265			
TR4	0.601	0.113	0.514	0.214			
TR5	0.611	0.098	0.401	0.301			
TR7	0.576	0.092	0.445	0.215			
TR8	0.571	0.099	0.435	0.223			
TR9	0.537	0.087	0.459	0.252			
TR10	0.691	0.092	0.444	0.102			
TR11	0.701	0.094	0.487	0.108			
TR12	0.665	0.089	0.501	0.210			
TR13	0.642	0.103	0.520	0.249			
TR14	0.618	0.111	0.512	0.239			
Economic Responsibility					0.856	0.91	0.64
ER1	0.801	***	0.398	0.310			
ER2	0.721	0.079	0.402	0.301			
ER3	0.641	0.081	0.406	0.239			
ER4	0.647	0.090	0.424	0.264			
ER5	0.726	0.093	0.425	0.276			
ER6	0.654	0.079	0.413	0.277			
Legal Responsibility					0.882	0.87	0.69
LR1	0.711	***	0.276	0.224			
LR3	0.702	0.076	0.289	0.212			
LR4	0.668	0.072	0.292	0.218			
Ethical and Discretionary (Philanthropic) Responsibility					0.879	0.96	0.71
PR1	0.812	***	0.357	0.221			
PR2	0.802	0.094	0.390	0.211			
PR3	0.559	0.092	0.378	0.124			
PR4	0.571	0.079	0.412	0.119			
PR7	0.787	0.081	0.426	0.219			
PR8	0.613	0.090	0.431	0.156			
PR9	0.622	0.083	0.485	0.121			
PR11	0.636	0.081	0.466	0.141			
Financial Performance					0.923	0.85	0.67
FP1	0.746	***	0.422	0.267			
FP2	0.693	0.097	0.454	0.244			
FP3	0.626	0.089	0.451	0.223			
Non-Financial Performance					0.913	0.89	0.60
NP1	0.802	***	0.401	0.287			
NP2	0.761	0.093	0.389	0.273			
NP3	0.555	0.099	0.376	0.212			
NP4	0.521	0.095	0.422	0.223			
NP6	0.545	0.089	0.397	0.237			

## 4.2 Measurement Model

Confirmatory factor analysis (CFA) was conducted to check the properties of the instrument items. Indeed, prior to analyzing the structural model, a CFA based on AMOS 20.0 was conducted to first consider the measurement model fit and then assess the reliability, convergent validity and discriminant validity of the constructs (Arbuckle, 2009). The outcomes of the measurement model are presented in Table 5, which encapsulates the standardized factor loadings, measures of reliabilities and validity for the final measurement model.

### 4.2.1 Unidimensionality

Unidimensionality is the extent to which the study indicators deviate from their latent variable. An examination of the unidimensionality of the research constructs is essential and is an important prerequisite for establishing construct reliability and validity analysis (Chou et al., 2007). Moreover, in line with Byrne (2001), this research assessed unidimensionality using the factor loading of items of their respective constructs. Table 5 shows solid evidence for the unidimensionality of all the constructs that were specified in the measurement model. All loadings were above 0.50, except TL3, TL6, TL15, LR2, LR5, PR5, PR6, PR10 and NP5, which is the criterion value recommended by Newkirk and Lederer (2006). These loadings confirmed that 37 items were loaded satisfactory on their constructs.

### 4.2.2 Reliability

Reliability analysis is related to the assessment of the degree of consistency between multiple measurements of a variable, and could be measured by Cronbach alpha coefficient and composite reliability (Hair et al., 2010). Some scholars (e.g. Bagozzi and Yi, 1988) suggested that the values of all indicators or dimensional scales should be above the recommended value of 0.60. Table 5 indicates that all Cronbach Alpha values for the eight variables exceeded the recommended value of 0.60 (Bagozzi and Yi, 1988) demonstrating that the instrument is reliable. Furthermore, as shown in Table 5, composite reliability values ranged from 0.85 to 0.96, and were all greater than the recommended value of more than 0.60 (Bagozzi and Yi, 1988) or greater than 0.70 as suggested by Holmes-Smith (2001). Consequently, according to the above two tests, all the research constructs in this study are considered reliable.

As shown in Table 5, since the measurement model has a good fit; convergent validity and discriminant validity can now be assessed in order to evaluate if the psychometric properties of the measurement model are adequate.

### 4.2.3 Content, Convergent, and Discriminant Validity

Although reliability is considered to be a necessary condition of the test of goodness of the measure used in research, it is not sufficient (Creswell, 2009; Sekaran, 2003; Sekaran and Bougie, 2013). Thus validity is another condition used to measure the goodness of a measure. Validity refers to which an instrument measures is expected to measure or what the researcher wishes to measure (Blumberg, et al., 2005). Indeed, the items selected to measure the six variables were validated and reused from previous research. Therefore, the researchers relied upon enhancing the validity of the scale was to benefit from a pre-used scale that is developed from other researchers. In addition, the questionnaire items were reviewed by four instructors of the Business Faculty at the University of Jordan. The feedback from the chosen group for the pre-test contributed to enhanced content validity of the instrument. Moreover, in order to enhance the content validity of the instrument, seven academics were asked to give their feedback about the questionnaire, thus confirming that the knowledge presented in the content of each question was relevant to the studied topic.

Furthermore, as convergent validity test is necessary in the measurement model to determine if the indicators in a scale load together on a single construct; discriminant validity test is another main one to verify if the items developed to measure different constructs are actually evaluating those constructs (Gefen et al., 2000). As shown in Table 5, all items were significant and had loadings more than 0.50 on their underlying constructs. Moreover, the standard error for the items ranged from 0.072 to 0.126 and all the item loadings were more than twice their standard error. Discriminant validity was considered using several tests. First, it could be examined in the measurement model by investigating the shared average variance extracted (AVE) by the latent constructs. The correlations among the research constructs could be used to assess discriminant validity by examining if there were any extreme large correlations among them which would imply that the model has a problem of discriminant validity. If the AVE for each construct exceeds the square correlation between that construct and any other constructs then discriminant validity is occurred (Fronell and Larcker, 1981). As shown in Table 5, this study showed that the AVEs of all the constructs were above the suggested level of 0.50, implying that all the constructs that ranged from 0.54 to 0.71 were responsible for more than 50 percent of the variance in their respected measurement items, which met the recommendation that AVE values should be at least 0.50 for each

construct (Bagozzi and Yi, 1988; Holmes-Smith, 2001). Furthermore, as shown in Table 6, discriminant validity was confirmed as the AVE values were more than the squared correlations for each set of constructs. Thus, the measures significantly discriminate between the constructs.

Table 6. AVE and Square of Correlations between Constructs

Constructs	TL	ER	LR	PR	FP	NP
TL	0.54					
ER	0.43	0.64				
LR	0.41	0.48	0.69			
PR	0.43	0.41	0.52	0.71		
FP	0.46	0.42	0.46	0.62	0.67	
NP	0.33	0.37	0.39	0.44	0.55	0.60

Note: Diagonal elements are the average variance extracted for each of the six constructs. Off-diagonal elements are the squared correlations between constructs

#### 4.3 Structural Model and Hypotheses Testing

Following the two-phase SEM technique, the measurement model results were used to test the structural model, including paths representing the proposed associations among research constructs. Further, in order to examine the structural model, it is essential to investigate the statistical significance of the standardized regression weights (i.e. t-value) of the research hypotheses; and the coefficient of determination ( $R^2$ ) for the research endogenous variables as well. The coefficient of determination for corporate social responsibility, and organizational performance were 0.62, and 0.54 respectively, which indicates that the model does moderately account for the variation of the proposed model. The two hypotheses were supported by the data. The results showed that transformational leadership did not have a direct significant influence on organizational performance ( $\alpha=0.235$ , t-value=1.105,  $p<0.05$ ), and thus H1 was not supported. However, transformational leadership did have a significant influence on corporate social responsibility ( $\alpha=0.992$ , t-value=4.761,  $p<0.05$ ), and the latter on organizational performance ( $\alpha=0.921$ , t-value=3.571,  $p<0.05$ ), supporting H2 and H3.

## 5. Discussion and Conclusion

The results of the analysis did not support the hypothesis stating that transformational leadership will have a direct significant positive influence on organizational performance. This result is consistent with the conclusions reached by various scholars. For instance, Liberson and O'Connor (1972) concluded that the relationship between leadership and organizational performance is weak, non-existent, and even contradictory. Jaffee (2001) furthers this conclusion by stating that theories of the effect of leadership on organizational performance are simply false. Fenwick and Gayle (2008) study results revealed that the relationship between leadership and performance is considered inconclusive and difficult to interpret. Obiwuru et al (2011) also found that the dimensions of transformational leadership have an insignificant relationship with performance. The reason behind such conclusions is that leadership on its own is not sufficient to explain the variance in organizational performance, other more powerful influences should be taken into consideration. Unless leadership is studied as part of an interrelated set of forces, one would not be able to measure its effect (Liberson and O'Connor, 1972). It can also be noted that the results obtained in this study contradict the works of other researchers. Koech and Namusonge (2012) and Sahaya (2012), for example, found that transformational leadership is positively related to organizational performance. Several other researchers have supported these results that propose a positive association between transformational leadership and organizational performance (See Nohria and Khurana, 2010; Wasserman et al, 2010; Katou, 2015). The premise behind the conclusion of these researchers is that organizations seeking efficient ways to outperform others, focus on the effects of leadership. This is due to the fact that intangible assets such as leadership styles are considered vital sources of strength that merge together people, processes, and organizational performance (Obiwuru et al, 2011). Furthermore, transformational leadership is reported to have a strong relationship with organizational performance given its ability to exert greater effort and performance from subordinates by inspiring them to elevate their capabilities for success and developing their problem solving skills (Koech and Namusonge, 2012). In addition, transformational leadership creates an environment characterized by high levels of trust, commitment, and inspiration exerted by subordinates that leads to performance beyond expectations (Pradhan and Pradhan, 2015).

Transformational leadership has been found to have a significant positive relationship with corporate social responsibility. This finding is supported by the results of several studies present throughout the literature which indicated that transformational leadership and corporate social responsibility are significantly positively associated (See Turner et al, 2002; Waldman et al, 2004; De Lacerda, 2010; Groves and Larocca, 2011; Verissimo and Lacerda, 2012; Tuan, 2012; Du et al, 2013). The reason for this association can be traced back to

the characteristics of charismatic and intellectual stimulation exhibited by transformational leaders. Charismatic leaders are likely to engage in behaviors and advocate policies that relate to corporate social responsibility, thus gaining the admiration of followers as their visions are based on values of altruism, justice, and humanistic notions of the greater good. Such values are in turn likely to increase the tendency to accomplish goals, especially those connected to corporate social responsibility. Moreover, intellectually stimulated leaders possess the ability to scan and broadly think about the environment and the manner in which various organizational stakeholders may be served. Such an understanding enhances followers' thinking regarding how to balance organizational goals with the desire to pursue corporate social responsibility (Waldman et al, 2004). According to Pradhan and Pradhan (2015) CEOs that exhibit transformational leadership behaviors, inspire followers and encourage a mutual vision of value creation in the governing body and its stakeholder, indicating to the role leaders play in developing and implementing CSR strategies. As such, it can be suggested that transformational leaders are likely to exhibit responsible behaviors that relate to protecting and advancing the interests of both primary and secondary stakeholders indicating that the organization does not exist in isolation from the environment surrounding it (Du et al, 2013).

Significant effort has been made to understand the relationship between corporate social responsibility and organizational performance. This study revealed that a positive significant relationship exists between corporate social responsibility and organizational performance. Other studies proposed similar findings, for example, Rettab et al. (2009) conducted a study in Dubai to examine the relationship between corporate social responsibility and organizational performance. Results showed that corporate social responsibility positively affects organizational performance. Buiciuniene and Kazlauskaite (2012) suggested that one of the key findings of their study was the determination of a positive association between corporate social responsibility and performance outcomes. Ali et al (2010), Erhenjamts et al (2013), Okwemba et al (2014), and Valmohammadi (2014) have also reached the same conclusion regarding the relationship between corporate social responsibility and organizational performance. Corporate social responsibility aims to encourage business entities to perform their activities ethically, reduce the negative effects on the community and the environment, thereby enabling them to continue gaining economic benefit (Valmohammadi, 2014). As such, researchers suggest that taking an interest in the various stakeholders of the firm may improve the firm's reputation and image and hence positively affecting productivity, financial performance, and value creation of the firm (Hillman and Keim, 2001). This is supported by Buiciuniene and Kazlauskaite (2012) who suggested that corporate social responsibility is a major contributor to gaining a competitive advantage by developing the firm's internal and external image and reputation, and facilitating changes in the organization's values and processes. However, the findings of this study contradict those reported by other scholars. According to them a negative or neutral relationship exists between corporate social responsibility and organizational performance (See Baron et al, 2011; Crisostomo et al, 2011; Vance, 1975; Aupperle et al, 1985). Such a contradiction may be attributed to the differences in measures used to measure organizational performance as the previous studies have focused solely on financial measures of organizational performance, whereas this study incorporated both financial and non-financial measures to refer to organizational performance.

The outcomes recommend a progression of issues that should be considered by managers and researchers. Keeping in mind the end goal to have an important translation of the outcomes with respect to the connections between study variables, it is constantly key to evaluate the part of the third variable in the relationship. As mentioned by Rosenberg (1968), a relationship study that does not address the mediating mechanism ends up with facts but with inadequate comprehension. Also, the study that neglects to think about the possibility of a mediator effect in the data may miss more clarification for a result. A model that addresses mediation effects will thus offer a more precise estimation of the relationship between the variables studied. In this regard the significance of corporate social responsibility on the association between transformational leadership and organizational performance should always be addressed by scholars and practitioners if legitimate decisions and conclusions are to be made. In this way, findings can help management intensify initiatives to support more noteworthy comprehension and acknowledgment of the concept of transformational leadership which boosts firms' corporate social responsibility and in turn superior performance. Although transformational leadership did not influence organizational performance directly in this study, its effect may be enabled by the presence of corporate social responsibility.

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