

## **Impact of Leadership Styles on Employees' Outcome: Mediating Role of Organizational Culture**

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### **Abstract**

*Paternalistic Leadership is generally used to make more humane and moralize workplace. Transformational Leadership qualities lead to perform beyond expectations in organizations. It is argued that paternalistic leadership and transformational leadership along with organizational culture plays an important role in building trust, satisfaction and commitment in organization. It is important to have an effective leadership style along with organization culture for employees/teachers to be more committed, satisfied and trusted which is necessary for the wellbeing of the organization. This paper investigates the influential role of leadership styles on employees' outcome by way of organization culture, organization commitment, trust and satisfaction. Data will be obtained from 150 individuals working in public and private universities of Lahore. The mediating role of organization culture between different leadership styles and employees' outcome will also be examined. The findings are expected to be important for education policy makers and administrative authorities to improve teaching leadership skills.*

**Keywords:** Paternalistic Leadership, Transformational Leadership, Culture, Trust, Satisfaction and Commitment.

### **Introduction**

Academic leadership depends on persons who play a major role in administration of educational institutions. These individuals are at the core of organizational and individual development that ultimately leads to society's development. Process to categorize elements, practices and features of effective leadership in higher education has been broadly examined for a long time (Bryman, 2007).

In university environment, Vice Chancellors, Rectors, Heads of the Departments, Deans, Chairman and Directors are considered as leaders. Educational sector is totally different from industry setting at larger perspective. Educational sector has its own dynamics and

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characteristic that serves the purpose of educational needs. Studies conducted by (Bryman, 2007) and Gibbs et al. (2009) investigated effective leadership in higher education settings to recognize specific actions, practices and signs of effective leaders such as giving direction, credibility and trust. Different Leadership styles have different impacts on employees' outcome.

Transformational Leadership qualities lead to perform beyond expectations in organizations (Wang et al., 2011). Paternalism is a socio-cultural characteristic of Asian, Middle-Eastern and Latin American cultures (Erben & Guneser, 2008). It refers to the manner in which a father treats his children in life matters (Aycan, 2006) and it relies on personalized loyalty to the leader and absolute submission to him. This, in turn, lead to the paternalistic leader who guides his subordinates in their professional and personal lives (Pellegrini and Scandura, 2008).

Organizational commitment and job satisfaction increased its importance over the last few years (Lok and Crawford, 2004). These comforts predict the input of employees as positive and negative feelings towards work and the organization that may have powerful effects on the way employees behave in an organization. Research conducted by several scholars has shown that leadership and organization's culture have significant impact on employee's commitment, trust and satisfaction (Lok and Crawford, 2004).

This research will show what is expected by employees in terms of leadership style, organizational culture, being satisfied with their job, being committed to an organization and feeling trustworthy. It will also add value to leadership style, performance and organizational culture studied being a guide for current and future leaders in their struggle.

#### *Development of Theories and Existing Research Gap*

Many past studies are conducted on the issue of leadership style in various sectors of Pakistan. Rehman and Afsar (2012) examined the impact of paternalistic leadership on organizational citizenship behavior and commitment. Their results found a positive relationship among variables in context of SME's. The association of paternalistic leadership and employee outcomes was examined in context of banking sector by (Anwar, 2013). Paracha et al. (2012) examined the impact of transformational and transactional leadership styles on employee performance with the mediating role of job satisfaction in primary education sector of Pakistani.

Transformational and transactional leadership styles were examined in context of their impact on achievement motivation on teaches of HEI's in Pakistan (Munaf, 2011). Few other studies have

examined the styles of Transformational, Laissez-Faire and Transactional leadership in teachers of higher education institutions of Pakistan. In this context, Khan et al. (2011) examined these relationships with extra role job performance and satisfaction. The predominant literature has focused on transactional and transformational leadership style (Sarwat et al., 2011) and paternalistic leadership style that is prevalent in Asian cultures that has not attained attention particularly in higher education institutions.

There are many Leadership styles but it is not possible to discuss all of these as are beyond of this study's objective. We have used two key leadership styles i.e. Transformational and Paternalistic leadership. This study will help to find significant effect of Transformational and Paternalistic Leadership styles on commitment, trust and satisfaction of public and private universities of Lahore. On the basis of the results, suggestions for improvement may be given to the education reform authorities.

#### *Significance of Research*

This study intends to examine the impact of leadership styles of leaders in public and private universities of Lahore with commitment, trust and satisfaction using culture as a mediator. Also it would determine the type of leadership styles which are best for running academic institutions of higher learning.

This study will help to identify the perceptual gaps among the various stakeholders and policy makers on the merit and demerits of the new selection system for the leaders. Based on the initial findings, this study could be expanded to the universities throughout the province of Punjab and to compare all 4 provinces in the later stages, to come up with recommendations for policy makers that which leadership style (transformational or paternalistic) is more appropriate and effective in higher education institutions. Investing in education will definitely give long-term benefit to the overall economy but only if we act in right direction. Pakistan has its own problems that can be solved only with appropriate solutions.

#### *Research Objectives*

- i. To test the affect of leadership styles on employee's outcome?
- ii. To investigate, how does the culture (Bureaucratic, Innovative and Supportive) affect the relationship between leadership styles and employee's outcome?

- iii. To examine, whether public universities differ from private universities in terms of different leadership style's affect on employee's outcome with culture as a mediator?

### *Hypothesis*

- H1: Transformational leadership style has an effect on employee's satisfaction, commitment and trust
- H2: Paternalistic leadership style has an effect on employee's satisfaction, commitment and trust
- H3: Culture (Bureaucratic, Innovative or Supportive) mediates the relationship between leadership styles (transformational and paternalistic) and employees' outcome (satisfaction, commitment and trust)
- H4: Public universities are different from Private universities in terms of different leadership styles which have significant affect on employees' outcome (satisfaction, commitment and trust) while culture acts as a mediator.

### *Theoretical model*

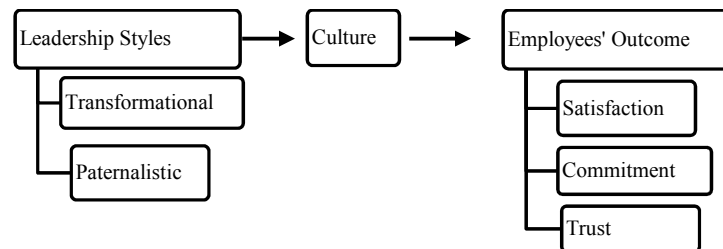


Figure1: Theoretical model

### **Methodology**

This is a quantitative research aimed at testing a causal relationship, hence positivist paradigm is adopted. We used cross sectional survey, as this is most appropriate method of gathering data given the research objectives. Following deductive approach, the hypotheses will be tested.

### *Population and Sampling*

For the population of interest, universities which are operating in Lahore are selected. The main reason to select the city of Lahore is owing to its metropolitan status and its diverse range of teachers with different backgrounds across the country. As per recommendation of Stevens (1996), the reliable sample should be larger than number of predictors

multiply by 15; hence we defined 150 sample size in order to ensure the collection of minimum required analysis size.

For collection of reliable sample, study used proportionate approach of Stratified sampling technique. In present research, two strata's were developed i.e. Public sector universities and private sector universities. Teachers from public and private sector universities were selected as respondents.

### *Instruments*

Paternalistic Leadership Questionnaire is adopted from (Cheng et al., 2004). It is measured on six point Likert scale. Transformational Leadership Questionnaire is adopted from (Bass and Avolio, 1997). Questionnaire for trust, commitment & satisfaction is adopted from (Hon and Grunig, 1999). It is measured on seven point Likert scale. Questionnaire for Culture is adopted from (Wallach, 1983). The data will be collected through self-administered questionnaires to be filled by the teachers of public and private sector universities of Pakistan.

### **Data Analysis**

Table 1: Reliability Analysis:

Variables	Cronbach Alpha	No of Items
Transformation Leadership Style	.962	12
Paternalistic Leadership Style	.891	5
Trust	.950	6
Satisfaction	.937	5
Commitment	.942	4
Culture	.890	24

Cronbach's value is used to measure the internal consistency of the construct. According to Pallant (2007), value of 0.7 of Cornbach Alpha is acceptable however value greater than 0.8 is preferable. The Cornbach Alpha's for individual factors impact is well above the minimum requirement and is quite acceptable.

Table 2: Mediation Analysis

	Path a	Path b	Path c	Path c'	Path a	Path b	Path c	Path c'
	TLS, OC, T				PLS, OC, T			
Coefficient	.3430	.4741	.9839	.8213	.3119	.2612	.8498	.7683
Se	.0425	.1553	.0696	.0855	.0331	.1575	.0533	.0722
t-value	8.0772	8.077	14.143	9.604	9.4320	1.657	15.935	10.64
p-value	.0000	.0029	.0000	.0000	.0000	.1004	.0000	.0000
DV Model								
R <sup>2</sup>	.6886				.7190			
Adj. R <sup>2</sup>	.6825				.7135			
F	112.7651				130.5023			

	TLS, OC, S				PLS, OC, S			
Coefficient	.3430	.5245	.9613	.7814	.3119	.2428	.8600	.7843
Se	.0425	.1676	.0752	.0923	.0331	.1607	.0543	.0736
t-value	8.0772	3.130	12.777	8.466	9.4320	1.510	15.843	10.64
p-value	.0000	.0023	.0000	.0000	.0000	.1339	.0000	.0000
DV Model								
R <sup>2</sup>	.6471				.7154			
Adj. R <sup>2</sup>	.6401				.7098			
F	93.5045				128.215			
	TLS, OC, C				PLS, OC, C			
Coefficient	.3430	.4718	1.1021	.9403	.3119	.2822	.9312	.8432
Se	.0425	.1791	.0794	.0986	.0331	.1897	.0641	.0869
t-value	8.0772	2.634	13.885	9.533	9.4320	9.432	14.537	9.698
p-value	.0000	.0097	.0000	.0000	.0000	.1400	.0000	.0000
DV Model								
R <sup>2</sup>	.6740				.6793			
Adj. R <sup>2</sup>	.6676				.6730			
F	105.4402				108.0139			

Notes: TLS= Transformational Leadership Style, PLS=Paternalistic Leadership Style, OC=Organizational Culture, C=Commitment, T=Trust, S=Satisfaction.

#### *Transformational Leadership Style, Organizational Culture and Trust*

Results of mediation analysis reflected in Table 2, clearly indicates that transformational leadership has positive impact with culture as shown by path A. As path a shows the relationship of independent variable with mediator i.e. B=.3430, t=8.0772, p=.0000. Similarly, for path b Table 2 clearly indicates positive relationship of culture with trust. As path b, shows the relationship of mediator with dependent variable i.e. B=.4741, t=8.0772, p=.0029. Path C, shows total impact of independent variable on dependent variable including mediator i.e. B=.9839, t=14.1439, and p=.0000. Similarly path C', shows total impact of independent variable on dependent variable excluding mediator i.e. B=.8213, t=9.6040 and p=.0000, thus, showing the partial mediating impact of culture in relationship of transformational leadership and trust.

#### *Transformational Leadership Style, Organizational Culture and Satisfaction*

Results of mediation analysis reflected in Table 2, clearly indicates that transformational leadership has positive impact with culture as shown by path A. As path a shows the relationship of independent variable with mediator i.e. B=.3430, t=8.0772, p=.0000. Similarly, for path b Table 2 clearly indicates positive relationship of culture with satisfaction. As path b, shows the relationship of mediator with dependent variable i.e. B=.5245, t=3.1302, p=.0023. Path C, shows total impact of independent variable on dependent variable including mediator i.e. B=.9613, t=12.7775 and p=.0000. Similarly path C', shows total impact of independent variable on dependent variable excluding mediator i.e. B=.7814, t=8.4667 and p=.0000, thus, showing the partial mediating

impact of culture in relationship of transformational leadership and satisfaction.

*Transformational Leadership Style, Organizational Culture and Commitment*

Results of mediation analysis reflected in Table 2, clearly indicates that transformational leadership has positive impact with culture as shown by path A. As path a shows the relationship of independent variable with mediator i.e.  $B=.3430$ ,  $t=8.0772$ ,  $p=.0000$ . Similarly, for path b Table 2 clearly indicates positive relationship of culture with commitment. As path b, shows the relationship of mediator with dependent variable i.e.  $B=.4718$ ,  $t=2.6345$ ,  $p=.0097$ . Path c, shows total impact of independent variable on dependent variable including mediator i.e.  $B=1.1021$ ,  $t=13.8859$  and  $p=.0000$ . Similarly path c', shows total impact of independent variable on dependent variable excluding mediator i.e.  $B=.9403$ ,  $t=9.5334$  and  $p=.0000$ . This shows that culture partially mediates the relationship between Transformational leadership and commitment.

*Paternalistic Leadership Style, Organizational Culture and Trust*

Results of mediation analysis reflected in Table 2, clearly indicates that paternalistic leadership has positive impact with culture as shown by path A. As path a shows the relationship of independent variable with mediator i.e.  $B=.3119$ ,  $t=9.4320$ ,  $p=.0000$ . Similarly, for path b Table 2 clearly indicates positive relationship of culture with trust. As path b, shows the relationship of mediator with dependent variable i.e.  $B=.2612$ ,  $t=1.6579$ ,  $p=.1004$ . Path C, shows total impact of independent variable on dependent variable including mediator i.e.  $B=.8498$ ,  $t=15.9356$  and  $p=.0000$ . Similarly path C', shows total impact of independent variable on dependent variable excluding mediator i.e.  $B=.7683$ ,  $t=10.6430$  and  $p=.0000$ , thus, showing that culture partially mediates relationship between paternalistic leadership and trust.

*Paternalistic Leadership Style, Organizational Culture and Satisfaction*

Results of mediation analysis reflected in Table 2, clearly indicates that paternalistic leadership has positive impact with culture as shown by path A. As path a shows the relationship of independent variable with mediator i.e.  $B=.3119$ ,  $t=9.4320$ ,  $p=.0000$ . Similarly, for path b Table 2 clearly indicates positive relationship of culture with trust. As path b, shows the relationship of mediator with dependent variable i.e.  $B=.2428$ ,  $t=1.5107$ ,  $p=.1339$ . Path C, shows total impact of independent variable on dependent variable including mediator i.e.  $B=.8600$ ,  $t=15.8437$  and

$p=.0000$ . Similarly path C', shows total impact of independent variable on dependent variable excluding mediator i.e.  $B=.7843$ ,  $t=10.6492$  and  $p=.0000$ . This shows that culture partially mediates the relationship between paternalistic leadership and satisfaction.

#### *Paternalistic Leadership Style, Organizational Culture and Commitment*

Results of mediation analysis reflected in Table 2, clearly indicates that paternalistic leadership has positive impact with culture as shown by path A. As path A shows the relationship of independent variable with mediator i.e.  $B=.3119$ ,  $t=9.4320$ ,  $p=.0000$ . Similarly, for path b Table 2 clearly indicates positive relationship of culture with trust. As path B, shows the relationship of mediator with dependent variable i.e.  $B=.2822$ ,  $t=9.4320$ ,  $p=.1400$ . Path C, shows total impact of independent variable on dependent variable including mediator i.e.  $B=.9312$ ,  $t=14.5371$  and  $p=.0000$ . Similarly path C', shows total impact of independent variable on dependent variable excluding mediator i.e.  $B=.8432$ ,  $t=9.6984$  and  $p=.0000$ , thus, showing the partial mediating impact of culture in relationship between paternalistic leadership and commitment. Results for mediation analysis show that culture mediates the relationship between leadership styles and employees' outcome.

#### **Practical Implications**

This research shows what is expected by employees in terms of leadership style, organizational culture, being satisfied with their job, being committed to an organization and feeling trustworthy. It adds value to leadership style, performance and organizational culture studied by being a guide for current and future leaders in their struggle. Culture (Bureaucratic, Innovative or Supportive) plays a major role in mediating the effect of leadership styles (transformational and paternalistic) on trust, satisfaction and commitment.

#### **Directions for Future Research**

There are leadership styles other than transformational and paternalistic. There is need to study the effect of these other leadership styles in public and private sector universities to find whether there exists more than one leadership style in public and private universities.

Although higher education institutes play important role in the society but this does not mean that lower level educational institutes (i.e. schools and colleges) are less important. So, there is need to conduct this study in schools and colleges to find out how leadership style of teachers affect the different dimensions of students' education i.e. grades, personality, attitude, punctuality, interest to learn new knowledge etc.



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