



The Role of Leadership Styles In Building and Sustaining Corporate Reputation - Empirical Investigation on Islamic Banks in Jordan

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ABSTRACT

Leadership is the art and science of affecting the others; leaders in different organizational settings play a crucial role in achieving organizational goals, by establishing and offering motivational atmosphere for their employees. However, the main objective of this research is to build a theoretical model of leadership styles and corporate reputation in order to empirically within the context of Islamic banks operating in Jordan. The researcher used a quantitative methodological approach through a structured questionnaire to gather data from the research respondents. The sample size consisted of 640 employees from low-mid managerial levels. The researcher used descriptive statistics, multiple regression models and weighted least square analyses to examine the relationship between the research variables. Accordingly, the results revealed that both (transactional and transformational) leadership styles have a positive influence on corporate reputation. Meanwhile, transformational leadership style showed a positive and significant influence on corporate reputation. Also, privacy has a non-significant effect on mobile marketing acceptance but its effect is positive. Further, employee empowerment was found as mediator variable. Research conclusions, Limitations and recommendations for future work were also discussed.

Keywords: Leadership Style, Employee Empowerment, Corporate Reputation, Islamic Banks in Jordan

JEL Classifications: G3, M14

1. INTRODUCTION

For many decades ago, the concept of leadership has been found to be a hot area for scholars and practitioners from different scientific fields, the majority of leadership research were focusing on the impact of leaders in human beings success and development. According to Rossouw and Vuuren (2013) the key strategic factor that enables organizations to live, grow and to get familiar with the changing environment is leadership. The various levels of efficiency and intellectual development resulting from various leadership styles can be real calibre to distinguish between unsuccessful and successful organization's (Jogulu, 2010). Moreover, entrepreneur cannot keep ignoring the fact that leadership forms a strategic fit between organizational capabilities and available opportunities. In general, small and medium enterprises were the luckiest in literatures of organizational performance and leadership style, and unfortunately most of them lack empirical figures in order

to defend the heart of leadership in different organizational settings.

However, one of the central pillars of the Jordanian economics is the banking sector. In spite of the instable conditions resulted mainly from the Arab spring, the highly regulated and well-capitalized banking sector showed resistance, keeping up growth till the current time, and the sector presently consists of 25 domestic and foreign banks. According to the latest report provided by the association of banks in Jordan (2017) the sector contains four Islamic banks, which are running completely Islamic transactions, three out of them are domestic banks; which they are (Jordan Islamic bank, international Islamic Arab bank and Jordan Dubai Islamic bank) and the foreign one is (Alrajhi bank) with total assets 6.8 billion JD, which forms (15.1%) from the overall banks assets.

Although there is a remarkable slight agreement on how organizations can create effective leaders; the concept of leadership

still recognized as persistent problem for most businesses. Likewise, identifying the main characteristics that are responsible for building effective leadership has been considered as the starting point to define the aspects and consequences of successful leadership. Consequently, the focal point of this research is to understand and analyze the role of leadership styles in building and sustaining corporate reputation within the context of Islamic banks operating in Jordan, and to examine the employee empowerment as mediating variable between leadership style and corporate reputation. Likewise, to provide empirical data that might help the decision makers at the Islamic banks to adopt the most influential leadership style.

2. CONCEPTUAL FRAMEWORK

2.1. Leadership

In the field of organizational behavior the concept of leadership has been identified as an essential topic, reflecting the most energetic influence in the relationship between organizations and individuals. However, reaching organizational goals by entrepreneur leaders can inspire staff potential to improve efficiency through understanding and meeting their requirements (Lee, 2009). On the other hand, the leadership as activity indicates the influential power that leaders might use to affect employees believes attitudes and behavior. According to Wehrich and Koontz (2005) leadership can be defined as the art of affecting the others to push them imperatively and enthusiastically to achieve specific goals. In general, leadership can be characterized throughout four forms: Leadership as a process; the power of influence; it takes place within group; and finally it's guided by results (Northouse, 2007). According to Mesu et al. (2013) leadership has been viewed as a crucial factor in building organizational culture, and a strategic element in shaping the overall organizational climate, which can be considered as the cornerstone for organizational learning.

Many researches have adopted leadership as traits, behaviors and influence approaches (Obiwuru et al., 2011; Albors-Garrigos et al., 2014). According to Neely and Adams (2002) they adopted participative and autocratic leadership styles, a participative leadership style can motivate employees to be more involved in making decisions, and teach them how to perform their tasks professionally, similarly an autocratic perspective which can create set of rules and directions in order to organize the required functions to be applied, arranging work actions and activities, developing communication channels and assessing performance. Likewise, González and Guillén (2002) the considered leadership as functional-centered and employees-based, Adesua-Lincoln (2010) viewed leadership as a continuum process, ranging from highly followers' centered and highly manager centered.

There are many terms related to leadership style such as zone of control, authority delegation, command line and power. Managers from different organizational levels practicing vary types of leadership styles, based on their knowledge and strength, which can enable them not only to lead followers; but also to set and implements multi managerial tasks. However, some previous researches have showed scientific and reasonable evidences that leadership styles can be cultural-based. For example, managers at

Europe tend to be more human oriented with followers (Collins, 2001), while Japanese managers try to ignore the individuals differences, and highly depend on group power more than individual power (Kotterman, 2006), whereas American managers are very individual oriented and guided by the potential and capabilities of their followers (Richard et al., 2008).

According to Bass et al. (2003) leadership can be divided into two key styles: Transactional leadership and transformational leadership. Transactional leadership is rewards/punishment based which aims to energize individuals to follow their own expectations and interests in a way that serves organizational goals. Moreover, maintaining control by transactional leaders in general hinges on using power, authority and bureaucracy (Bennett, 2009). In this research, the transactional leadership within the context of Islamic banking can be defined as the ability of Islamic banks leaders to use rewards/punishment system with the aim of helping employees' to apply their own ideas to attain Islamic banks goals, which can be reflected at the end of the day in improving the overall banks reputation. Consequently, the following hypothesis can be proposed:

H₁: Transactional leadership positively influences Islamic banks reputation.

For transformational leadership; it can be built based on creating a persuasive and clear vision (Wright et al., 2012). According to Jin (2010), the concept of transformational leadership combines empathy, relationship building, responsibility and innovation. In consequence, it encourages trustworthy atmosphere, supporting employees' self-confidence and push up their career development. As well, transformational leaders share their power and involve employees in making different decisions. Thus, the ability of Islamic banks leaders to create, share and sustain clear goals and vision hand in hand with the employees might contribute in enhancing Islamic banks reputation. Consequently, the following hypothesis can be proposed:

H₂: Transformational leadership positively influences Islamic banks reputation.

Nevertheless, wise leaders can easily switch between transactional and transformational styles, in line with responding to different situations, for instance (market strategy); therefore, active leaders can increase their influential power by paying attention for both leadership styles (Vera and Crossan, 2004).

2.2. Corporate Reputation

In the few past decades, scholars and professionals of public relations have spent huge efforts to make evidence for the effectiveness of public relations, and the concept of organizational reputation was the key to grab their attention. However, corporate reputation consider as the most valuable intangible asset for all organizations which can create strong and sustainable competitive advantage. According to (Fombrun et al., 2000) they distinguished between six key measurements of corporate reputation, which they are; (1) vision and leadership, (2) work environment, (3) financial performance, (4) products and services, (5) social responsibility

and finally (6) emotional appeal. From internal perspective; positive attitudes by employees toward their organizations will make them ambassadors and striving to augment, defend and share positive stories with their families, friends, peers etc., about their organizations with no cost (Stacks, 2010). Furthermore, reputable organizations strengthen employees' satisfaction and commitment, and trigger them to work under the umbrella of organizations' mission, vision and core values to reach goals efficiently. In the context of Islamic banks; bank reputation can increase employee engagement and loyalty, which can be resulting in achieve high performance levels. Hence, the current research attempting to analyze organizational reputation created by Islamic banks leaders from employee perspective.

2.3. Employee Empowerment

In general, when the employees realize that they have enough skills to perform something; they might in need for freedom space and authority by their managers to do that. Management literatures have conceptualized and divided employee empowerment into two categories: First, the perception of self-efficiency, which refers to employees feeling of competence and second, the level of control that perceived by employees to make decisions (Anderson and Huang, 2006). According to Castro et al. (2008) showed that employee empowerment (competence and control) mediates the relationship between leadership and employee satisfaction and create high levels of commitment to the organization. However, in order to reach right empowerment; Islamic banks leaders must delegate employees both competence and control to make rational decisions within different settings. Consequently, the following hypothesis can be proposed:

H₃: Employee empowerment will mediate the relationship between leadership styles (transactional and transformational) and Islamic banks reputation.

3. CONCEPTUAL MODEL

The following model demonstrates the relationships between the research variables, which basically derived from the antecedents of leadership styles, corporate reputation and employee empowerment, which will be adapted to be in line with Islamic banks context (Figure 1).

4. RESEARCH METHODOLOGY

4.1. Population and Sample

Based on recent figures provided by association of banks in Jordan (2015) the number of employees in Islamic banks operating in Jordan is (3350) which forms (17.2%) from the overall banks as illustrated in Figure 2. Therefore, the research population consisted of all Islamic banks employees working in Jordan. In view of that, the researcher depended on convenience sampling technique to collect data from the research sample; which they are the Islamic banks employees from middle and low managerial levels. Furthermore, with the purpose of achieving statistical stability analysis; the sample size has been determined to be 640 employees; and that was identified by (Hair et al., 2010). Hence, the researcher

Figure 1: Research model

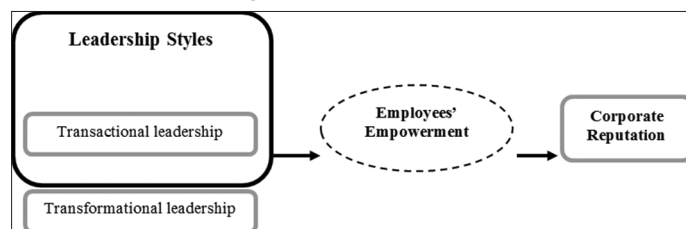
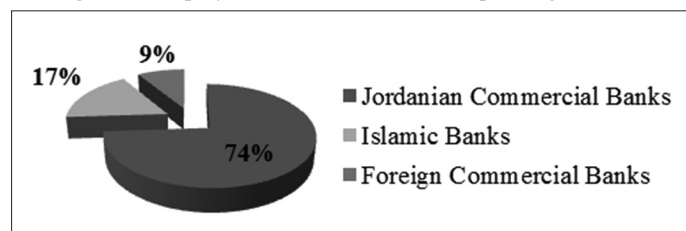


Figure 2: Employees distribution in banks operating in Jordan



used both emails and fieldwork to distribute questionnaires on employees who were located in different geographic branches from north to the south of Jordan. Moreover, the researcher decently contacted the employees out of their official working hours to protect them from any responsibility. Thus, after than 3 months of questionnaires distribution and gathering; only 509 questionnaires were restored, and the response rate 79.5% was so far high, whereas the valid number of them for statistical analysis purposes was only 457. Likewise, Table 1 shows number of questionnaires which has been sent, and the response rate for each bank.

4.2. Research Instrument and Data Gathering

The research questionnaire was built up based on previous studies of leadership styles, corporate reputation and employee empowerment, which have been modified to be consistent with Islamic banks context. Furthermore, the researcher used five-point Likert' scale in order to rate respondent answers on each statement in the questionnaire. Hence, research measurements were adapted from previous researches as can be seen in the Table 2.

4.3. Research Validity and Reliability

According to Churchill and Brown (2014) content validity reflects the research approach/methodology, while face validity considering the pilot work, which was with well-known figures from Islamic banks and academics in related field. On the other hand, the researcher used Cronbach's alpha in order to assess the instrument reliability which already identified by (Sekaran and Bougie, 2013). Table 3 clearly shows that all variables were greater than the cutoff point 60%; therefore, the coefficients of internal reliability have been met.

5. DATA ANALYSIS

5.1. Hypothesis Testing

With the aim of testing the research hypothesis; the researcher has used (multiple regression models) to examine the influence of leadership styles (transactional and transformational) on corporate reputation, as well as, weighted least square test to investigate and analyze the mediating influence of employee empowerment.

Table 1: Islamic banks response rates

Bank name	Questionnaires sent	Returned questionnaires	Response rate (%)
Jordan Islamic bank	160	134	0.83
International Islamic Arab bank	160	127	0.79
Jordan Dubai Islamic bank	160	140	0.87
Alrajhi bank	160	108	0.67
Total	640	509	79.5

Table 2: Research measurements

Variable	Measurement
Transactional leadership	(Bass et al., 2003)
Transformational leadership	(Jin, 2010)
Corporate reputation	(Fombrun et al., 2000)
Employee empowerment	(Anderson and Huang, 2006)

Table 3: Values of Cronbach's alpha

Variables	Number of items	Cronbach's Alpha
Transactional leadership	5	0.822
Transformational leadership	4	0.866
Corporate reputation	3	0.854
Employee empowerment	4	0.813

Table 4 illustrate that transactional leadership can positively but insignificantly influence corporate reputation, since (59.5%) in the variation of corporate reputation can be interpreted by transactional leadership, while the value of $\beta = 0.744$ was insignificant at (0.006). Hence, H_1 can be accepted and supported. In addition, transformational leadership can positively and significantly influence corporate reputation, since (71.4%) in the variation of corporate reputation can be interpreted by transformational leadership, while the value of $\beta = 0.863$ was significant at (0.000). Thus, H_2 is accepted and highly supported.

Table 5 illustrate that 78.8% in the variation of corporate reputation can be interpreted by transactional and transformational leadership. Accordingly, the results showed (based on Beta values) that transformational leadership is the strongest predictor. Likewise, the R^2 value is greater than the R^2 values shown in preceding table, which undoubtedly points that the influence of leadership styles (transactional and transformational) on corporate reputation can be stronger through employee empowerment. Thus, the overall findings in the Table 5 have been strongly and clearly support accepting H_3 .

6. CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The multiple regression findings have been established that leadership styles (transactional and transformational) positively influencing corporate reputation. As well as, employee empowerment has a strong impact as mediating variable. On the other hand, the Beta values showed that transformational leadership style was the most influential variable on corporate reputation. Generally, these findings without a shred of doubt were consistent with leadership theories and literatures. Consequently, these finding is consistent with (Bass et al., 2003; Anderson and

Huang, 2006; Bennett, 2009; Jin, 2010; Wright et al., 2012). Hence, these findings are very important for Islamic banks for the following reasons: (1) This research is appropriate for Islamic banks leaders to adopt mix of leadership styles, and observe the most effective form in building their banks reputation, as well as to recognize the critical elements and the strategic choices for both leadership styles (transactional and transformational), (2) the way in which Islamic banks leaders select to exercise and practice leadership styles can be reflected on the employees overall performance and energize them to achieve more, (3) adopting transformational leadership style will enable Islamic banks to accomplish great performance, since the Islamic banks leaders are capable to inspire their employees to increase their competencies and problem solving skills to leverage the entire bank performance, (4) Islamic banks should realize that the role of transformational leadership style as a strategic weapon for inspiring and empowering employees not only influence employees productivity and performance; but also can shape the employees perceptions for their banks image and reputation, while transactional leadership style is only concentrated around achieving economic exchanges, which will have at the end of the day destructive impact in building and shaping employees perception for their banks image and reputation.

7. RESEARCH LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

Regardless of the original investigation of the current research, especially within (Islamic banks context); some limitations were come across this work and can be avoided in by other researchers. First: Applying the research model on only Islamic banks reflect single perspective and restricted to the Islamic instructions and rules, nevertheless, the importance of this research derived from the deep theoretical investigation more than the intention to generalize the research outcomes. Second: The collected data were only gathered from employee point of view, therefore, in order to reach more comprehensive insight of how Islamic banks leadership styles affect Islamic banks reputation; a thorough understanding from other non-Islamic banks leaders and professionals might be combined. Third: Although the current research contributes to a broad understanding of the interrelationship between leadership styles, employee empowerment and corporate reputation, other statistical and methodological tools can provide more accurate explanations for the previous figures.

However, future research might depend on larger sample from different banks or even other industries; with the purpose

Table 4: Multiple regression tests for (H₁ + H₂)

Variable	R	R ²	T	F	Standardized coefficients	Significant	(H) result
					B		
Transactional leadership	0.772	0.595	13.51	162.2	0.744	0.006	Supported
Transformational leadership	0.845	0.714	14.75	217.5	0.863	0.000	Supported

*Significance level at P≤0.005

Table 5: Weighted least square test for (H₃)

R	R ²	F	Significant	H ₃ result
0.888	0.788	266.27	0.000	Supported

Variables	Unstandardized coefficients		Standardized coefficients	t	Significant
	B	Standard error			
(Constant)	2.415	0.131		16.318	0.000
Transactional leadership	0.173	0.029	0.390	1.039	0.000
Transformational leadership	0.155	0.017	0.491	1.421	0.000

*Significance level at P≤0.005

of generalize the research findings. Moreover, qualitative research approaches for instance in-depth interviews with local or international banks leaders can enrich the practical and theoretical perspective of different leadership styles antecedents and potential consequences. Finally, future research should pay more attention to examine how far leadership styles from different culture are already adopted from Islamic banks leaders in Jordan.

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