
Leadership Style and Company Success: A Survey of Nationalized Iranian Companies Supervised by Industries Development and Renovation Organization (IDRO)

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Abstract

This study attempted to find out if there is a relationship between styles of leadership of the chief operating officers (COO) and success of nationalized companies in the ministry of industries of Iran supervised by Industries Development and Renovation Organization (IDRO).

This study utilized the Leadership Opinion Questionnaire (LOQ) developed by Edwin A. Fleishman, Which provides measures of leadership attitudes regarding two important dimensions of leadership: Consideration and structure.

The population of the research consisted of 60 chief operating officers (COO) of IDRO companies. A total of 41 COOs completed the questionnaires and returned them to this researcher representing a 68% response rate. Multiple regression tests were used to determine how the companies' score of success related to managers' Consideration and structure scores for the three hypotheses. The leadership style

variable of consideration and structure were taken as independent variables and success of the companies were the dependent variables. For this study, success was measured in terms of the criteria set by IDRO for rewarding managers of supervised companies.

The results of this study indicated positive relationships between: 1) Structure style of leadership and success, 2) Consideration style of leadership and success, and 3) Combination of structure and consideration style of leadership and success of Industries Development and Renovation Organization companies.

The result of this research has implications for training of managers in the area of consideration and structure leadership in Iran. The survey results imply that IDRO companies can measure consideration and structure of managerial candidates to identify those who are likely to achieve higher success rates.

Introduction

After the 1979 Revolution, several nationalized Iranian companies reported losses, inefficiencies, and high turnover of the managers due to leadership related problems. These problems manifested in low capacity utilization rates and brought about alarmingly low productivity among some of nationalized companies. This study focused on leadership style of managing directors as a factor in helping companies in terms of achieving success. To study the direct impact of leadership style, companies under IDRO were isolated and then studied to facilitate scientific research to ascertain as to how leadership style may affect company success. This study attempted to find out if there is a relationship between the styles of leadership and the success of nationalized companies in the ministry of Industries of Iran supervised by IDRO. More specifically, the following hypotheses were tested in this research:

Hypothesis 1.

There is a significant relationship between the success of nationalized companies and the Chief Operating Officers' consideration style of leadership.

Hypothesis 2.

There is a significant relationship between the success of nationalized companies and the Chief Operating Officers' structure style of leadership.

Hypothesis 3.

There is a significant relationship between the success of nationalized companies and the Chief Operating Officers' combination of consideration and structure style of leadership.

This research is based on the Ohio State University leadership studies (Fleishman, 1951, 1953a, 1953b, 1953c; Halpin and Winer, 1952; Hemphill, 1955; Shartle, 1956; Stogdill & Coons, 1957) which indicate that there are generally two patterns of leadership:

a. Consideration, Which reflects the extent to which an individual is likely to have job relation with subordinates characterized by mutual trust, respect for their ideas, consideration of their feelings, and a certain warmth between this individual and subordinates (Fleishman 1989); and

b. Initiating Structure, Which reflects the extent to which an individual is likely to define and structure his or her own role and those of subordinates toward goal attainment (Fleishman, 1989).

An important finding of the Ohio State research was that Consideration and Initiating Structure were not at opposite ends of a continuum, but instead they were separate and conceptually independent dimensions (Jago, 1982). For instance, a leader could be high on both, Low on both, or high on one and low on another. The behavior of a leader could thus be described as a combination of both dimensions (Hersey and Blanchard, 1988).

For this study, success was measured in terms of the criteria set by IDRO for rewarding managers of supervised companies. IDRO supervises, for the most part, all nationalized heavy industrial companies and measures productivity of supervised companies based on certain criteria set annually to reward the managers of the companies. IDRO employed the following criteria (IDRO Internal Memo by CEO Deputy, Oct. 31, 1990) for evaluating the manufacturing companies under its supervision during 1991-1992.

- 1- The amount of production during the period according to the approved plan by stockholders; 40 points
- 2- The amount of exports and export oriented activities; 25 points
- 3- Increase in product quality or executing quality control; 10 points
- 4- Reduction of losses or increase in profitability according to approved budget; 15 points
- 5- other factors originating from general management activity. 10 points

100.00

A company may receive a score between 0 to 100 points. The highest possible success rating for the year being 100 while 0 indicates the least success. These companies will be rewarded based on points earned. These criteria were chosen as measure of success for IDRO companies because, for the most

part, they indicated conformance with the government's indicators of success which are a) profitability; b) increase in production; c) improvement in product quality; d) innovation and creativity; e) improvement in employee well-being; and f) coordination between management and employees. The preceding criteria basically, according to "Familiarizing with successful manufacturing companies under the coverage of National Iranian Industries organization" (1989, V. 1,3,4, & 6), were used by the government in 1989 to recognize twenty-eight Iranian companies as successful companies. Eight nationalized companies such as Iran Naghsh Industrial Group, Industrial Pars Mino Compay, Kaf Company, and Pars Household Product company were among the twenty-eight awardees.

Population

The database for this research consisted of 60 Chief Operating Officers (COOs) of the nationalized companies under IDRO supervision. This study concentrated on COOs because of the strong influence of their decisions and behavior on their subordinate managers and, ultimately, the general employees of the companies they direct. These COOs are vital in determining the direction of the company in terms of achieving success.

Questionnaire

The study utilized the Leadership Opinion

Questionnaire (LOQ) developed by Edwin A. Fleishman, Which provides measures of leadership attitudes regarding two important dimensions of leadership: Consideration and Structure.

LOQ was selected for this study as it has been a standard in similar studies (Tarazi, 1990; Zojaji, 1990; Gadeken, 1987; Nimry, 1985; Al-Dabbagh, 1980). LOQ has been considered by the aforementioned authors to have strong reliability and validity. The internal consistency and reliability of the LOQ is impressive (Schriesheim and Kerr 1977). Fleishman (1989) indicated that "the LOQ was developed to maximize construct validity". The reported cases and other studies utilizing LOQ indicated its great usefulness in the study of managers and the performance or success of the companies they managed.

LOQ contains forty questions: twenty questions relate to consideration and the remaining twenty questions pertain to structure. Each question is scored on a point scale ranging from 0 to 4. The maximum score is 80 on each leadership style. The scores of the questionnaire on each style are interpreted as follows:

1- A high score on consideration is indicative of a climate of good rapport and two - way communication; a low score indicates the individual is likely to be more impersonal in relations with group members.

2- A high score on structure characterizes an individual who plays a very active role in

directing group activities through planning, communicating information, scheduling, criticizing, trying out new ideas, and similar activities; a low score indicates the individual is likely to be relatively inactive in giving directions (Fleishman, 1989). In this particular study, LOQ was translated into Persian to elicit the most accurate responses. To confirm the validity of the translation, the translated Persian text was verified by an official English - Persian translator recognized by both Iranian and U.S. governments.

Limitations of The Study

This study was limited to the investigation of Iranian Nationalized Companies engaged in heavy industry as classified by IDRO. Results might have been different if this study was applied to private companies. Additionally, the criteria of success as given by IDRO was utilized as the measure of success by this researcher. This may be different from what other management writers define as success. Furthermore, this study did not delve into how IDRO determined "success" in its annual awards. IDRO revealed only the list of companies and points of success but did not provide details on how they were calculated. This study tested leadership styles of COOs in IDRO supervised companies and compared test scores with the points of success during the period 1991-1992.

Distribution of Questionnaire and Scoring Procedure

During the period covered in the study (1991-1992), 60 managing directors were chosen at randomly to be the population of the research. All candidates were requested to answer the LOQ, along with a cover questionnaire asking respondents to supply data regarding type of business, number of employees, sex, and highest educational attainment. A total of 41 completed questionnaires were received by this researcher, representing a 68% response rate.

Out of the 41 responses, 37 were considered usable. The remaining responses were excluded because of inadequate answers to the survey instrument. The 37 responses were scored using prescribed scoring techniques designed by Science Research Associations, INC. Individual raw scores were tabulated according to Consideration and Structure scores.

Multiple regression tests of the SPSS-X

program were used to determine how the companies' score of success related to the managers' Consideration and Structure scores for the three hypotheses ($P < .05$). Leadership style variable of consideration and structure were taken as independent variables and success of the companies were dependent variables. Analysis was made using the following formula:

$$Y = a + (b1) (X1) + (b2) (X2)$$

Y represents the success of the company;
a represents constant;

b1 represents the correlation coefficient of consideration;

X1 represents the consideration score;

b2 represents the correlation coefficient of Initiating Structure; and

X2 represents the Initiating Structure score.

Correlation coefficient tests were done to determine the degree of association among variables. The summary of results of the three hypotheses' analyses are reflected in table 1.

	Consideration To Success	Structure To Success	Combination of Consideration & Struture To Success
Multiple R	.78636	0.64959	0.84385
R Square	.61837	0.42196	0.71208
Calculated F	56.71179	25.54974	42.04454
Criterion F	4.11	4.11	3.27
Degree of Freedom	1/35	1/35	2/34
Constant	-10.60	8.66	-22.36
Correlation- Coefficient	1.16	.92	.91, .49
Significant Level	.05	.05	.05

Table 1- Results of Statistical Relationship Between Scores of Consideration, Structure, and Combination of Both With Success

Conclusion

The results of the multiple regression test for the first hypothesis showed that there was a significant relationship between the points of success of nationalized companies and the chief operating officers' Consideration style of leadership (Calculated of $F=56.71 >$ criterion of $F=4.11$).

Correlation coefficient tests were done to determine the degree of association between variables. Success and consideration were found to have a 0.78636 degree of correlation. This degree of Correlation indicated that the companies' success and the consideration style of managing directors were positively and significantly correlated. This relationship is shown in the following equation as explained in page 132:

$$Y = a + (b_1) (X_1)$$

$$Y = -10.60 + (1.16 * \text{score of consideration leadership})$$

This equation shows that by knowing the Consideration score of the managers one can predict the likely success of the company using IDRO'S success criteria. This study also confirmed that it would be beneficial for IDRO to employ or train managers with high degree of consideration as indicated by LOQ scores. This study, further revealed certain common characteristics among those high in Consideration: male, married and educated.

On the second hypothesis, the result of the multiple regression test indicated significant relationship between success of nationalized

companies and the Chief Operating Officers' Structure style of leadership as indicated by a computed $F 25.5497 >$ Criterion $F 4.11$. This finding showed that Structure leadership is also important in improving the success of IDRO companies. The result of correlation test between success of company and Structure leadership (0.649 degree of correlation) indicated that the companies' success and the Structure style of managing directors were positively and significantly correlated. However, while both Consideration and Structure leadership were positively correlated to success, Consideration had a stronger correlation. This implies that when two candidates score approximately the same level of Structure points, the candidate with a higher consideration score is likely to be more successful. This relationship was expressed using the following equation as explained on page 132:

$$Y = a + (b_2) (X_2)$$

$$Y = 8.66 + (.92 * \text{score of structure leadership}).$$

Tests on how the combination of structure and consideration related to success (third hypothesis) showed significant relationship (Calculated $F = 42.04454 >$ criterion $F 3.27$). However, this relationship was more the result of consideration leadership than structure leadership. This relationship can be shown as the following equation as explained on page 132:

$$Y = a + (b1) (X1) + (b2) (X2)$$

$Y = - 22.36 + (.91 * \text{score of consideration leadership} + .49 * \text{score of structure leadership})$.

To find out if multicollinearity exists among the independent variables (Consideration and Structure), the researcher conducted a correlation coefficient test among Consideration, Success, and Structure. The result indicated that the interaction between Consideration and Structure was moderate (The correlation coefficient of .48). This means that these variables have some degree of positive correlation but it is not strong enough to suggest a serious concern for multicollinearity problem. In this context, Mansfield (1994) eloquently explained "if some of these correlation coefficients are close to 1, multicollinearity is likelihood to be a problem" (P 536). This indicates that there is an acceptable degree of independence between the independent variables. Thus, if IDRO wants to predict a company success, it will be better off knowing both consideration and structure scores of the manager.

The results of this research have implications for training of managers in the area of Consideration and Structure leadership. Likewise, this study implies that IDRO companies can measure Consideration and Structure of managerial candidates to identify those who are more likely to achieve higher success rates.

This study was a small step toward the study of leadership in Iran. Further studies in

this area are needed to improve leadership and consequently improve company success rates. This study also affirmed the researcher's personal observation during the first three years after the 1979 Revolution that managers who had high consideration and high structure leadership scores had the lowest rate of turnover in the nationalized companies.

Another interesting outcome of the study was the unexpected full cooperation of respondents. This was demonstrated by volunteering comments in the suggestion section of the questionnaire. This was indicative of the respondents' intent to cooperate for a research project that would help improve company leadership. This showed that with some legitimate effort, data can be gathered with less resistance.

A suggestion for further research is a replication of this study in other government organizations such as Iranian National Industries Organization (INIO) and Moztazafin Foundation. This study may also be done in companies with female managers and comparative analysis can be conducted.

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