The Study of Role of Leadership Styles and Organizational Culture on the Financial Performance (Case Study: Mellat Bank’s Branches in the Bushehr Province)

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Abstract
The aim of the present study is to investigate the role of leadership styles and organizational culture on the financial performance of Mellat Bank’s branches in the Bushehr Province. The study is a descriptive-field. The statistic population includes all employees in Mellat Bank’s branches in the province of Bushehr that their total number is 325 subjects. The sample in this research is a part of the statistic population that will be selected as classification. Based on the number of employees at branches of Bank Mellat, 209 people has been set as sample size. Method of data collection is field and measuring tool is the questionnaire. Its validity using content, structure, and formal method has been confirmed at an acceptable level. Its reliability (0.943) has been confirmed through Cronbach’s alpha. A standard questionnaire was used to collect data. To analyze the data, first the acceptability of the theoretical model was dealt with through LISREL software. And, then, the data was analyzed using Path coefficient and the T test. The results show that the model is usable and acceptable. Analysis of the data shows there is a significant and positive relationship between leadership styles and financial performance. There is a significant positive relationship between leadership style and organizational culture dimensions. Organizational culture plays an intermediary role between leadership styles and financial performance. There is a positive and significant relationship between organizational culture dimensions and financial performance.

Keywords: leadership style, organizational culture, financial performance.
Introduction
In today’s competitive business environment, the major concern of monetary and financial organizations, as banks, is their survival and pervasive development in the field of financial and non-financial. In order to achieve this critical goal, managers seek to identify and optimal utilization of resources and funds that their achievement is of great cost and effort. So victorious in this field are managers who apply the mentioned investment by the most effective, efficient ways (Yqghubi et al, 2010). Having being complicated the current environment of organizations; leaders are faced with unpredictable problems that requires the high degree of flexibility in solving problems and dealing with the turbulent environment of organizations (Rowold, 2011). In some organizations, it is observed that there is no attunement among the underlying beliefs, values, and attitudes of organization members and leaders which, in turn, causes problems in employees’ commitment to the organization and reducing financial and organizational performance, absenteeism and turnover of employees. Also, the studies indicate that organizational culture is the most important factor in promoting the capabilities of senior managers of organizations (Yaayng and Ahmad, 2009). In the areas of management and organizational theory, organizational culture is one of the most popular concepts of organization. The popularity of organizational culture is due to significant relationship between organizational culture and organizational outcomes such as financial performance to gain competitive advantage and effectiveness of the organization (Cemal Zehir et al, 2011). Organizational culture is the philosophy that directs the organization's policy and behavior toward employees and customers or specific assumptions and fundamental beliefs that are shared between the members of that organization to help them get things done daily activities (Soheilifar, 2000, 5). Organizational culture is considered as important factor affecting organizational performance and leadership as well as the key component in the success of the organization. Therefore, having knowledge of the relationship between these two factors affecting the organizational performance, is very critical and important (Hosseini et al., 55,2010). Large companies have focused on the management values, beliefs, and organizational cultures and their growth rate has been very impressive in the last 30 years. They realized their success due to the close relationship between culture and leadership. According to opportunities within the organization, the culture an stays that is able to adapt itself to changes in environmental conditions (Cemal Zehir et al, 1462, 2011). Various factors play role in the efficiency and effectiveness of the organization amon which leadership style should be considered as the most important. Leadership is an integral part of management and plays an critical role in the operation. If there is a factor that distinguishes between successful and unsuccessful organizations, it is, undoubtedly, effective leadership (Bass and Rigo, 97,2006). Leadership style is a set of attitudes, traits and skills of managers that is formed and based on values, trust in staff, leadership tendencies and a sense of security in ambiguous situations (Shakoor et al., 1256,2011). In the current system, improving individual and organizational performance is of the major goals of any active organization. If we consider human resources as an important component of improving the performance of organization, it is obvious that the study of variables affecting their performance will affect the improvement of financial and organizational performance. The concept of bank performance has been defined along with efficiency and effectiveness as effectiveness indicates
the amount to achievement of goals. And efficiency points that how economically resources have been used to achieve the goal and they can be considered as two important dimensions of performance, that is, there can be both the internal causes (efficacy) and external causes (effectiveness) for certain parts of performance. Therefore, the performance is a function of efficiency and effectiveness of taken activities. To achieve better performance, banks should use leading or prospective indicators and backward or retrospective indicators (Lynch & Cross, 1991). In this regard, the present study aims to deal with the accurately assessment of the relationship between organizational culture types and leadership styles and organizational and financial performance and tries to identify the strengths and weaknesses of the organization to help improve better planning. Also, due to structural differences of banks, measuring the financial performance and identifying the strengths and weaknesses would be useful to conduct the necessary reforms and programs that the study has dealt with them. The aim of this study is the development and expansion of the relationship effects between organizational culture, competitiveness and innovation, bureaucratic and social cooperation on financial performance. The study, also, investigates the effect of organizational culture on leadership styles. The main questions addresses in this study include: A) Is there any relationship between organizational culture and leadership style? B) Does leadership style is affected by organizational performance? C) Does the organizational culture affect organizational and financial performance? And finally, the effect of mediatory role of organizational culture between between leadership and performance is investigated.

Conceptual model of Research

![Conceptual model of Research](image-url)
Research Methodology
The method of the research is descriptive and in terms of objective is a kind applied study. In the present study, population consisted of all Bank Mellat’s employees in Bushehr province, their total number is 325 people. The number of sample was 209 people in the level of %5 using Cochran formula that were selected by random cluster sampling. 209 questionnaires were distributed and, at the end, 200 questionnaires could be analyzed. To collect the data, Cemal Zehir et al (2011)’s questionnaire was used and its reliability was confirmed by the relevant professors. To calculate to reliability, Cronbach’s alpha was used. The reliability was 0.89 which indicates its optimal reliability. To investigate the relationship between the components of the model, structural equation modeling was used.

Findings
The results showed that 169 (%84.5) of the sample are male and 31 (%15.5) are female. %11 of respondents were between 20-24, % 32 between 25-34, %37 between 35-44, and %3 of respondents over 55 years of old. %26 of respondents had diploma, %21 technician, %41/5 Bachelor, and %11 master degree or higher.

Suitability Indices of Research model

<table>
<thead>
<tr>
<th>Macro</th>
<th>Standard values</th>
<th>Estimated value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degrees of Freedom</td>
<td>--------</td>
<td>923</td>
</tr>
<tr>
<td>Chi-Square</td>
<td>Due to the dependence on the sample size, it is not a suitable criterion.</td>
<td>1429.65</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.05</td>
<td>0.068</td>
</tr>
<tr>
<td>NFI</td>
<td>0.90</td>
<td>0.83</td>
</tr>
<tr>
<td>NNFI</td>
<td>0.90</td>
<td>0.88</td>
</tr>
<tr>
<td>CFI</td>
<td>0.90</td>
<td>0.89</td>
</tr>
<tr>
<td>RMR</td>
<td>0.05</td>
<td>0.082</td>
</tr>
<tr>
<td>GFI</td>
<td>0.90</td>
<td>0.80</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.90</td>
<td>0.77</td>
</tr>
</tbody>
</table>

As shown in Table 1, goodness of fit index (GFI) equals to 0.80 and adjusted goodness of fit index (AGFI) equals to 0.77, root-mean-square error (RMSE) 0.068 and comparative fit index (CFI) 0.89, all at a relatively reasonable level.
Diagram 1 shows the t values for structural and measurement models.

Graph 1: the t values for structural model (variables and questions)

Graph 2: coefficient values for the structural model (variables and questions)
Testing the Research Hypotheses

Testing first hypothesis: there is a positive and significant relationship between leadership styles and financial performance.

<table>
<thead>
<tr>
<th>t</th>
<th>Estimated Coefficients</th>
<th>Route</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.23</td>
<td>0.44</td>
<td>Financial Performance</td>
</tr>
</tbody>
</table>

Based on the results shown in Table 2, the relationship between leadership styles and financial performance among customers is supported by data and the route which relates these two variables is positive and significant (at error level of %5 is significant) \( t = 3.23, \gamma_{11} = 0.44 \). Since the \( t \) is greater than 1.96, therefore, it can be concluded with %95, there is a positive and significant relationship between leadership styles and financial performance. In the study, leadership styles include supportive, participative, and transactional. Based on the data obtained from \( t \), it can be said supportive leadership style is effective than other styles and leadership style, transactional, and collaborative are in the next ranks.

Testing second hypothesis: there is a positive and significant relationship between leadership style and organizational culture dimensions.

<table>
<thead>
<tr>
<th>t</th>
<th>Estimated Coefficients</th>
<th>Route</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.43</td>
<td>0.63</td>
<td>Organizational Culture</td>
</tr>
</tbody>
</table>

Based on the results shown in Table 3, the relationship between leadership style and organizational culture dimensions is supported by data and the route which relates these two variables is positive and significant (at error level of %5 is significant) \( t = 8.43, \gamma_{12} = 0.63 \). Since the \( t \) is greater than 1.96, therefore, it can be concluded with %95, there is a positive and significant relationship between leadership styles and organizational culture dimensions.

Testing third hypothesis: organizational culture plays an intermediary role between leadership styles and financial performance. To analyze this hypothesis, the previous hypotheses are used. The direct effect of leadership style on the financial performance equals to 0.44, the direct effect of organizational culture on the
financial performance 0.21, and the direct effect of leadership on organizational culture is 0.63. To confirm the intermediary role of organizational culture on financial performance, the two above equations are multiplied. .021 \times 0.63 = 0.132 and the value obtained minus 1 (0.868 = 0.132 - 1). The value obtained is reasonable and of more direct relationship. And the hypothesis is confirmed.

Testing fourth hypothesis test: there is a positive and significant relationship between organizational culture dimensions and financial performance.

Table 4: standardized coefficients and t-test of fourth hypothesis

<table>
<thead>
<tr>
<th>t</th>
<th>Estimated coefficients</th>
<th>route</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.16</td>
<td>0.21</td>
<td>Financial Performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Organizational Culture Dimensions</td>
</tr>
</tbody>
</table>

Based on the results shown in Table 4, the relationship between organizational culture dimensions and financial performance is supported by data and the route which relates these two variables is positive and significant (at error level of %5 is significant))

\[ t = 2.16, \gamma_{13} = 0.21 \]. Since the \( t \) is greater than 1.96, therefore, it can be concluded with %95, there is a positive and significant relationship between organizational culture dimensions and financial performances.

**Discussion and Conclusion**

The study aims to study the role of organizational culture and leadership styles on the financial performance of Mellat Bank’s branches in Bushehr province. The results showed that there is a positive and significant relationship between leadership styles and financial performance. Regarding the relationship between leadership styles and financial performance, it should be mentioned that the dominant supportive leadership style, job performance is increased and this increases financial performance. So if managers agree with supportive leadership style in their management, they should expect high job performance from their employees. And the managers who welcome the participative leadership style, the can expect lower performance from their employees and organizations. However, the effectiveness of participative and transactional leadership is very high on leadership style. The results are in parallel with research findings of Zehir et al (2011), Arab et al (2006), Khakpour Moghadam (2011), Abbasi & Teimuri (2009) and Shir Ali et al (2005).

The results, also, showed that there is a positive and significant relationship between leadership style and organizational culture dimensions. Therefore, to further improve organizational performance, leadership style and organizational culture should be considered. The results are in parallel with research findings of Zehir et al (2011), Shoghi (2012), Shoghi and Haj Fathali (2012).
The results also showed that organizational culture plays an intermediary role between leadership styles and financial performance. In the study, the effect of competitive culture is more than social and bureaucratic culture. Therefore, we must develop the competitive culture. It can be used for growth and excellence in order to gain improved financial performance and market development. The results are in parallel with research findings of Zehir et al (2011) and Shoghi and Haj Fathali (2012).

The results showed there is a positive and significant relationship organizational culture dimensions and financial performance. The results are in parallel with research findings of Mills et al (2010), Sadeghi et al (2011), Asgari (2005) and Zehir et al (2011) and are not parallel with the research findings of Ogbanna and Harris (2000).

To sum up, according to the findings, it is recommended that Banks should consider the culture and leadership as the resources that will bring long-term benefits. And through understanding the relationship between culture and leadership and the subsequent adoption of suitable leadership style and taking sub-cultures compatible with the organizational processes, improve the organizational commitment, employee productivity, and therefore organizational performance.
References

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