

# Leadership Styles and Performance of Public Sector Organizations: The Case of Saudi Arabia

Hamzah Abdul Rahman<sup>\*a</sup>, Mu'taman Jarrar<sup>b</sup>, Omar Diaj Omira<sup>c</sup>

<sup>a</sup> School of Business Management, College of Business, Universiti Utara Malaysia

<sup>b</sup> University of Dammam, Saudi Arabia

<sup>c</sup> Saline Water Conversion Corporation, Saudi Arabia

## Abstract

*In Saudi Arabia, public organizations have been associated with poor management and performance. Little is understood about the reasons for such poor performance. Skilled and trained leaders are required to sustain the performance of these organizations. This paper focuses on the effect of leadership styles on the performance of Saudi Arabia public organizations. Cross-sectional data of 400 employees working in 16 ministries under the Saudi Arabia Government were obtained. The validity and reliability of the measurement and structural model were tested. Partial Least Squares Structural Equation Modeling (PLS-SEM) was applied to test the study hypotheses. The result of PLS-SEM analysis indicated a significant effect of leadership style on the organizational performance at the 0.01 level of significance. Leadership styles play a critical role in improving organizational performance in Saudi Arabian public organizations. Future research is recommended to explore further the predictors affecting the performance of public organizations in Saudi Arabia.*

**Keywords:** Leadership styles, performance, public sector organizations, Saudi Arabia

## 1.0 Introduction

The public service sector in Saudi Arabia has gone through many reforms over the years in which the focus is on increasing efficiency and effectiveness, seeking excellent organizations. To achieve this, the overall development is designed based on a series of five-year plans (Al-Maliki, 2013). However, Transparency International ranked Saudi Arabia 63 out of 176 in its 2012 Corruption Perception Index (BEBA, 2013) and Human Development Index ranked Saudi Arabia 56 out of 187 in 2011. This reflects the poor performance of the public sector organizations responsible for the delivery of the various services in Saudi Arabia. In the late 1990s and early 2000s,

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\* Corresponding Author: Tel: +60133903837/ +604-9287427  
E-mail Address: hamzahd@uum.edu.my

the Saudi Government embarked on the privatization of its public enterprises with the main objectives of improving the efficiency of the national economy, enlarging Saudi citizens' ownership of productive assets, and encouraging local and foreign capital investment in the Kingdom. Subsequently, in 2003, the Saudi Council of Ministries approved a list of 22 targeted economic activities and government services to be privatized, and the private sector was invited to participate in many economic activities and services (Alyagout & Siti-Nabiha, 2013). In the eighth and ninth plans (2005-2014) the Saudi Government introduced the concept of e-Government aimed at transforming the Saudi society into an information society by initiating and supporting new strategies and efforts to facilitate the electronic delivery of government services which would in turn improve the quality of services provided to the Saudi public (AlGhamdi, AlFarraj, & Drew, 2011). In addition, the development plans emphasize the need to continue the Saudization policy and the development of the Saudi labor force to accelerate the replacement of the non-Saudi workforce. The plans included goals such as improvement of the living standard and quality of life of citizens as an essential priority, and improvement of services provided to citizens, both quantitatively and qualitatively.

Despite all the plans in place and spending billions of dollars from oil revenues on public sector organizations on projects for the sake of improving public services provided to the Saudis (Atiyah, 1999), questions are raised as to whether such reforms have managed to increase the public sector performance. There have been increasing reports that public organizations are still ineffective. For example, Azmi (2009) noted that despite the achievements done by the Saudi public sectors represented by the different ministries in the country during the past few decades, the performance of these ministries is still lagging and below expectations. Thus, skilled and trained leaders required to transform and sustain the performance of the public sector in Saudi Arabia.

Leadership style has been consistently considered a factor in the organization purported to influence the organizational performance of public organizations (Agle et al., 2006; Al-Tameemi & Alshawi, 2014; Chun & Rainey, 2005; Peterson et al., 2003; Yukl, 2009). Yukl (2009) asserted that leadership style is one of the most important factors that impact the performance of a given organization. Researchers who attempt to examine organizational performance should look into this construct. Moreover, leadership is known to play a critical role in causing changes necessary for effective management. Leaders must have an ability to transform organizations through their vision for the future, and by clarifying their vision they can empower the employees to take responsibility for achieving that vision (Kim, 2013). Hence, the present paper attempts to examine which leadership style is related to organizational performance especially given high power distance between leaders and subordinates that characterizes public organizations in Saudi Arabia (Elenkov, 1998).

## **2.0 Methodology**

### *2.1 Design*

A cross-sectional survey was conducted at the individual employee level of analysis, who are working in Saudi public organizations, in 16 Saudi ministries. Public organizations in this study refer to organizations that exist for the purpose of providing public services to the people in Saudi Arabia, and they are managed, supported and financed by the Saudi Government.

### *2.2 Sampling*

Probability simple random sampling technique was used in the study. Simple random techniques are regarded as the most common techniques in sampling processes in which each member of the population has “an equal and independent chance of being selected” (Fraenkel & Wallen, 2000, p. 106). In this context, the human resources managers of each of the selected ministries were requested to provide a list of the employees’ working sequence numbers from which the simple random sampling was performed. This provided equal opportunity of each employee in the organization to be selected.

### *2.3 Operationalization and Measurement*

Northouse (2007) described that leadership is a process whereby an individual influences a group of individuals to achieve a common goal. According to Fertman and Liden (1999), leadership style is the manner and approach of providing direction, motivating people and achieving objectives. In this study, the construct of leadership styles refers to the whether the Saudi leaders of the public organizations adopt a transformational leadership style or a transactional leadership style. The construct was measured using 32 items of the Multifactor Leadership Questionnaire (MLQ) developed by Avolio and Bass (1995).

Organizational performance is the ability of organizations to meet organizational goals and demands from their environments (Selden & Sowa, 2004), and it is the result of the working process (Jarrar, Abdul Rahman & Shamsudin, 2015; Abdul Rahman, Jarrar & Sobri Don, 2015). In this study, organizational performance refers to the ability of the Saudi public organizations in meeting the objectives and goals set and in providing satisfactory services to the Saudi people. The 33 items of the balanced scorecard (BSC) designed by Kaplan and Norton (1992), and later used by a recent study to measure performance in public organizations (Mafini, 2013), was employed to measure the construct of organizational performance in this study.

Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to test the study hypothesis of the impact of leadership style on the performance of the public organizations in Saudi Arabia. PLS-SEM has been shown to be superior models that perform estimations better than regressions for assessing mediation (Brown, 1997; Iacobucci, Saldanha, & Deng, 2007; Mattanah, Hancock, & Brand 2004; Preacher & Hayes, 2004).

### **3.0 Results**

Out of the 600 questionnaires distributed, 420 responses were returned. Of these, 20 questionnaires were discarded from the analysis because they were incomplete, making the final number of usable questionnaires 400 and yielding a valid response rate of 66.7%. The majority of participants were married (78.3%). As for age, 41.8% were between 26 and 35 years old, 41.5% were between 36 and 45 years old, 14.3% were 45 years old and above, and only 2.0% were 25 years old and below. In terms of the level of education, most of the participants held a bachelor's degree (74.8%), 12% had a diploma, 4.8% has a secondary degree, and 8.5% had a master's and doctoral degree. In relation to income, most of the participants had an income of SR10,001-15,000 (54.0%), 29% had an income of SR5,001-10,000, 12.3% SR15,001-20,000, and 4.3% had an income of SR20,000 and above. In terms of work experience, 30% of the participants had been working between 10 and 15 years, 26.5% between 6 and 10 years, 20% had been working 15 years and above, 12.3% between 3 and 6 years, and 6.3% than 3 years.

This paper used established procedures, as described by several scholars as the technique used to validate the measurement model (Anderson & Gerbing, 1988; Churchill, 1999; DeVellis, 1991; Hair et al., 2011; Peter & Churchill, 1993; Spector, 1992). These aspects of construct validity were established by testing for convergent and discriminant validities by ensuring "that, once cross-loading items are dropped, items load cleanly and exclusively on the constructs (factors) upon which they are posited to load" (Straub et al., 2004, p. 393).

Convergent validity refers to the extent to which items truly represent the intended latent construct and indeed correlate with other measures of the same latent construct (Hair et al., 2006). It is confirmed using the items reliability, composite reliability and average variance extracted. This means that if all the items are significantly important in measuring their constructs, composite reliability values are at least 0.7 and the average variance extracted (AVE) are at least 0.5 then the convergent validity can be confidently confirmed (Bagozzi & Yi, 1988; Hair et al., 2010). The composite reliability value of all the constructs exceeded the cut-off value of 0.7, and all the values of AVEs are more than 0.5. Thus, one can confirm that the measurement, outer, model possesses an adequate level of convergent validity.

Discriminant validity can be ascertained comparing the indicator loadings with cross-loadings (chin, 1998). To achieve satisfactory discriminant validity, chin (1998) suggests that all the indicator loadings should be higher than cross-loadings. All indicator loadings were greater than the cross-loadings, suggesting adequate discriminant validity for the further analysis. The result of PLS-SEM analysis as shown in Table 1 indicated a significant effect of leadership style on the organizational performance at the 0.01 level of significance ( $\beta = 0.16$ ,  $t = 2.19$ ,  $p = 0.00$ ).

Table 1

*PLS-SEM analysis result of the effect of leadership style on the organizational performance*

Hypotheses	Path coefficient	T value	p value	Decision
Leadership style → Organizational performance	0.16	2.19***	0.00	Supported

\* $p < .10$ ; \*\* $p < .05$ ; \*\*\*  $p < .01$

#### 4.0 Discussion

Organizational performance and its most influential factors in public organizations play a vital role in economic development and different fields of individual's life. The result of PLS-SEM analysis indicated a significant effect of leadership styles on the organizational performance. This finding is consistent with previous studies. Some researchers reported a positive relationship between the two variables (Dawson et al., 2002; Swanson & Johnson, 1975; Swanson & Euske et al., 2002), while others showed a negative relationship (Hampton et al., 1986; Pritchard & Karasick, 1973; Sheridan & Vredenburg, 1984). However, the path coefficient indicated positive impact of leadership style on the organizational performance. Thus, leadership styles played a vital role in contributing to organizational performance, and implementing transformational or transactional leadership behavior in an organization leads to the success of the organizations in Saudi Arabia. On the other hand, other researchers revealed no relationship (O'Reilly & Roberts, 1978). Furthermore, Idris (2007) stated that executives and managers in Saudi Arabia face great challenges in their endeavor to improve the performance of their organizations. Among the greatest challenges of all are cultural issues and work practices that cause poor employee performance levels compared with western companies or even in the companies operating in the private sector in the country. Thus, further intervening variables and predictors are required to explain the mixed effect of leadership styles on the organizational performance and to explain the poor performance in the Saudi Arabian organizations.

## 5.0 Conclusion

The objective of this paper was motivated by the evidence to explore the effect of leadership styles on the performance of the Saudi public organizations. It can be concluded that leadership styles play a critical role in improving organizational performance in Saudi Arabian public organizations. Future research is recommended to explore other predictors to explain the poor performance in public organizations in Saudi Arabia. Furthermore, examiners of the effect of leadership styles on organizational performance should look into the mediating influence of other behavioral factors such as job satisfaction and organizational commitment.

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