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On the relationship between leadership styles and relevant organisational outcome criteria  
in a German insurance company

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## On the relationship between leadership styles and relevant organisational outcome criteria in a German insurance company

There has been a huge amount of research exploring the effects of different leadership styles on organisational outcome criteria for more than three decades. Researchers tried to find out, what leadership style is the most effective respective and if certain leadership behaviours are more effective than others, respectively. Despite a great body of research on leadership, these questions remain nearly unacknowledged (Yukl, 1999; Yukl, 2002; Yukl, Gordon, & Taber, 2002). Moreover, integrated research efforts, that test the relationship of various leadership styles, are virtually non-existent (House & Aditya, 1997).

There is meta-analytical support for the existence of positive relationships between leadership styles and several indicator of leadership effectiveness. However, these meta-analyses focus on one isolated leadership theory and therefore research on coherences and comparisons of the different leadership styles is still absent. For example, Judge, Piccolo and Ilies (2004) supported the notion that initiating structure and consideration are positively related to performance. Additionally, a meta-analysis on the relationship between transformational and transactional leadership and performance also confirmed positive correlations (Judge & Piccolo, 2004). Although, there exist more than one hundred empirical studies, we still do not know which leadership styles has the strongest relationship to outcome criteria such as performance.

For psychologists, practically working in management or consulting, it is important to know, which leadership is most important for leadership selection, training, or feedback interventions. From a theoretical perspective it is unsatisfying not to have a complete comparison and contrasting of the different leadership constructs in order to further advance leadership theory. For example, the overlap in relative criterion-oriented validity of various leadership styles could yield insight into the processes that underlie the relationships between leadership styles and criteria of effective leadership such as followers' performance.

From a theoretical point of view it is precarious, that there are several separated leadership theories. No theory existed that aimed at unifying these separated theories. Various researchers (Judge, Piccolo, & Ilies, 2004; Keller, 2006; Rowold & Heinitz, 2007; Yukl, 2002) claim, that one of the central issue in leadership research is to investigate the similarities and differences between the different leadership styles (construct validity). Thus, the present research analyses the relationships of seven leadership styles (transformational and transactional leadership, instrumental leadership, laissez-faire, initiating structure and

consideration, leader-member-exchange and ethical leadership). Also, this study addresses the question, which leadership style is more effective than others (criterion validity).

Within the present work, three constructs had been selected as indicators for the different facets of effective leadership. First, job satisfaction was included as an indicator of satisfied followers. Next, followers' affective commitment has important implications for their intention to stay within the respective organization and other positive, work-related attitudes (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). Third, job performance is a highly important indicator of effective leadership. At least one of these three indicators have been included in a large number of leadership studies and meta-analyses (Dumdum, Lowe, & Avolio, 2002; Judge et al., 2004; Judge & Piccolo, 2004). Consequently, these three indicators of effective leadership were included into the present study.

## Method

### *Samples and Procedures*

The study was conducted in an insurance company in Germany and the sample consisted of  $N=507$  participants (von Kleist, 2008). These participants rated the leadership style of their respective supervisor. The mean age of the participants was 40.50 years ( $SD = 11.08$ ); 46.7 per cent were female, and according to this 53.3 per cent were male employees. On average, the employees served for 19.91 years ( $SD=11.45$ ) within the Agency. 50.1% of this sample had a Primary High School graduation, 24.5% a Secondary High School graduation and 25.4% an university degree. 24.1% of the rated leaders were female, 75.9% were male. The leaders had a mean tenure of 20.65 years ( $SD=10.81$ ). 45.3% of the leaders were part of the Middle or Top Management.

### *Instruments*

*Transactional and transformational leadership.* Four items from a German validated version (Heinitz & Rowold, 2007) of the Transformational Leadership Inventory (Podsakoff, MacKenzie, & Bommer, 1996; TLI; cf. Podsakoff, MacKenzie, Moorman, & Fetter, 1990) were utilized to assess transactional leadership (sample item: "...provides me with positive feedback if I perform well"). Also, 22 items from the TLI were utilized for the assessment of transformational leadership (sample item: "...has inspiring plans for the future").

*Instrumental leadership.* A German validated version of Antonakis and House's Instrumental Leadership Scale (Lit) was utilized in the present study to assess instrumental leadership. One of the 16 items was : "...develops specific policies to support his/her vision".

*Laissez-Faire.* For the assessment of Laissez-Faire, four items were newly designed (sample item: "...tries to avoid decisions").

*Consideration and initiating structure.* The leadership style of consideration was assessed by 22 items from a German validated version (Fittkau-Garthe & Fittkau, 1971) of the SBDQ (Fleishman, 1953) (sample item: "...shows interest in the individual well-being of his/her subordinates"). Initiating structure was assessed by 12 items from the same questionnaire (sample item: "...assigns specific tasks to his/her subordinates").

*LMX.* For the assessment of leader-member exchange, a German validated version (Schyns, 2002) of Graen and Uhl-Bien's (1995) LMX scale was used (7 items, sample item: "I trust my coach enough to defend his/her decisions.").

*Ethical leadership.* The ten items from the Ethical Leadership Scale developed by Brown (Brown, Trevino, & Harrison, 2005) were utilized to assess ethical leadership (sample item: "...sets an example of how to do things the right way in terms of ethics").

*Job Satisfaction.* Seven items from Neuberger and Allerbeck's (1993) scale for the assessment of job satisfaction were implemented in the present study (e.g., "I am satisfied with my colleagues").

*Affective Commitment.* Eight items from a German validated version (Schmidt, Hollmann, & Sodenkamp, 1998) of Allen and Meyer's questionnaire (Allen & Meyer, 1990) were utilized to assess affective commitment (e.g., "I really feel as if this organization's problems are my own").

*Job Performance.* Four items were newly constructed in order to assess subordinates self-rated performance (e.g., "My job performance is high").

## *Results*

Table 1 shows the descriptive statistics and intercorrelations of the different leadership styles and outcome criteria. With except for three correlations concerning the organisational outcome criterion job performance, all correlations are statistically significant. The results revealed strong positive correlations of the assessed leadership styles.

Table 1

*Descriptive Statistics, Internal Consistency Estimates, and Intercorrelations*

	M	SD	TF	TA	LF	C	IS	LMX	EL	JS	AC	JP
TF	2.88	.71	<i>0.93</i>									
TA	2.92	1.01	.71**	<i>0.86</i>								
LF	2.27	1.01	-.58**	-.39**	<i>0.89</i>							
C	3.57	.74	.64**	.59**	-.56**	<i>0.95</i>						
IS	3.08	.54	.75**	.56**	-.56**	.57**	<i>0.78</i>					
LMX	3.23	.78	.75**	.65**	-.59**	.77**	.74**	<i>0.92</i>				
EL	3.09	.76	.80**	.65**	-.55**	.76**	.69**	.77**	<i>0.91</i>			
JS	3.37	.63	.53**	.45**	-.40**	.52**	.51**	.61**	.52**	<i>.77</i>		
AC	3.23	.74	.27**	.25**	-.21**	.28**	.36**	.31**	.28**	.54**	<i>.86</i>	
JP	3.95	.640	.04	.02	-.10*	.19**	.11*	.12**	.06	.20**	.30**	<i>.86</i>

*Note.* Estimates of internal consistency (Cronbach's Alpha) are presented along the diagonal;

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

### *Discussion*

The present studies documents that all leadership styles are associated with job satisfaction and affective commitment. The organisational relevant criterion job performance was found to be correlated with laissez-faire, consideration, initiating structure and LMX. With except of transformational, transactional and ethical leadership, all leadership styles are connected with all of the criteria. Considerable overlap between the leadership constructs was found (i.e., strong convergent validities). These results point out the importance of all leadership behaviours for organisational relevant outcome criteria.

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