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Bachelor of Project Management



The Effect of Different Leadership Styles on Performance in the Kingdom of Saudi Arabia: A Case Study on Employees of KAIHAN Company in Alkharj

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Table of Contents

Chapter One: Introduction	4
1.1 Introduction	5
1.2 Research Problem.....	6
1.3 Research Significance.....	7
1.4 Research Questions	7
1.5 Research Objectives	8
1.6 Research Hypotheses	8
1.7 Empirical Study.....	9
1.8 Research Methodology	9
1.9 Suggested Project Structure.....	10
Chapter Two: Theoretical Framework.....	11
2.1 Introduction	12
2.2 Leadership Styles.....	12
2.2.1 Definition and Development	12
2.2.2 Theories and Dimensions.....	13
2.3 Organizational Performance	13
2.3.1 Definition and Development	13
2.3.2 Theories and Dimensions.....	14
2.4 The Relationship Between Leadership Styles and Organizational Performance.....	14
2.5 Conclusion.....	15
Chapter Three: Research Model.....	16
3.1 Research Model.....	17
3.2 Leadership Styles.....	17
3.3 Organizational Performance	18
3.4 Visual Representation of the Research Model	18
3.5 Conclusion of Research Model	19
References.....	20
Appendices.....	21
Appendix 1: Questionnaire for Research Variables	22

List of Figures

Figure 1: Research Model (Designed by Researcher).....	19
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Chapter One: Introduction

1.1 Introduction

The relationship between leadership styles and organizational performance has been a subject of extensive research over the past decades. In the context of the Kingdom of Saudi Arabia (KSA), this relationship takes on additional significance due to the ongoing economic and social reforms under the Vision 2030 initiative. This study aims to explore how different leadership styles, namely transformational, transactional, and laissez-faire, influence the performance of organizations within KSA. Performance, in this context, is measured using key indicators such as employee productivity, financial outcomes, and overall organizational growth.

Previous studies have shown different results regarding the impact of various leadership styles on organizational performance. For example, Bass and Avolio (1994) highlighted that transformational leadership is often associated with higher levels of employee satisfaction and performance. Conversely, transactional leadership, which is more focused on reward and punishment, has been found to be effective in stable environments but less so in dynamic contexts (Givens, 2008). The laissez-faire leadership style, characterized by a hands-off approach, generally yields negative performance outcomes due to lack of guidance and support (Northouse, 2021).

Despite the fact that there are several studies conducted globally, there is a noticeable gap in studies focusing specifically on the Saudi Arabian context. The unique cultural, economic, and regulatory environment in KSA necessitates a closer examination of how leadership styles operate within this framework. Furthermore, the rapid changes brought about by Vision 2030 introduce new dynamics that traditional leadership theories may not fully capture.

This research addresses the gap by examining the effect of different leadership styles on performance in Saudi Arabian organizations. The study will employ a mixed-method approach, combining quantitative data from employee surveys with qualitative insights from previous literature regarding organizational leadership styles. By doing so, it aims to provide a comprehensive understanding of how leadership practices impact organizational success in the Saudi context. A case study will be applied on a company

in Alkharj province. The company that will be included in this study is KAIHAN Inc. This company is IT-related company that adopts sharing economy model for its operation. Its main scope is to provide rides based on orders made through mobile application by users.

The significance of this research lies in its potential to inform leadership practices in Saudi Arabia. By identifying which leadership styles are most effective in enhancing performance, the study can guide leaders in adopting strategies that align with the cultural and organizational realities of KSA. Therefore, this can contribute to the broader goals of Vision 2030, which seeks to create a more dynamic and diversified economy.

1.2 Research Problem

The central research problem of this study is to understand how different leadership styles impact organizational performance in the Kingdom of Saudi Arabia. While there is extensive literature on leadership styles and their effects on performance, the specific context of Saudi Arabia presents unique challenges and opportunities that warrant a focused investigation.

Theoretical gaps exist in the understanding of how transformational, transactional, and laissez-faire leadership styles influence performance outcomes in non-Western contexts. Much of the existing research is grounded in Western organizational settings, which may not fully capture the nuances of leadership dynamics in Saudi Arabia.

Empirical gaps are evident in the limited number of studies that have systematically examined leadership styles within Saudi organizations. This is particularly relevant given the ongoing transformations under Vision 2030, which necessitate adaptive and effective leadership to navigate the changes.

The main research question guiding this study is: *What is the effect of different leadership styles on organizational performance in the Kingdom of Saudi Arabia?* Sub-

questions include: To what extent do transformational, transactional, and laissez-faire leadership styles affect employee productivity in KAIHAN Inc.? How do these leadership styles influence financial performance and overall organizational growth?

1.3 Research Significance

The significance of this research is multi-faceted. Theoretically, it contributes to the broader literature on leadership by providing insights from a non-Western context. By addressing the gaps in understanding the impact of leadership styles in Saudi Arabia, particularly in KAIHAN Inc., the study offers valuable additions to leadership theory and practice.

Empirically, the research provides data-driven evidence on the effectiveness of different leadership styles in Saudi organizations. This can inform practitioners and policymakers in developing leadership development programs and strategies that are culturally and contextually relevant.

Practically, the findings can help organizational leaders in Saudi Arabia adopt leadership styles that enhance performance and align with the goals of Vision 2030. By identifying the most effective leadership practices, the study can guide leaders in fostering a productive and dynamic organizational culture.

1.4 Research Questions

In order to provide a solution for this research problem. Research questions were developed. This research questions are as follows:

- What is the effect of transformational leadership style on employee productivity in KAIHAN Inc.?
- How does the transactional leadership style influence financial performance in KAIHAN Inc.?

- What is the impact of laissez-faire leadership style on overall organizational growth in KAIHAN Inc.?
- In what ways do leadership styles affect employee satisfaction and retention in KAIHAN Inc.?

1.5 Research Objectives

The main aim of this research project is to examine different leadership styles and their effect on productivity in the Kingdom of Saudi Arabia. The main aim of this research will be achieved upon achieving the following objectives:

1. To assess the impact of transformational leadership on employee productivity in KAIHAN Inc.
2. To evaluate the influence of transactional leadership on the financial performance of KAIHAN Inc.
3. To investigate the impact of laissez-faire leadership on the overall organizational growth of KAIHAN Inc.
4. To determine the effect of leadership styles on employee satisfaction and retention in KAIHAN Inc.

1.6 Research Hypotheses

The research hypothesis of this research project are as follows:

H1: There is a statistically significant relationship between transformational leadership and employee productivity in KAIHAN Inc.

H2: There is a statistically significant relationship between transactional leadership and financial performance in KAIHAN Inc.

H3: There is a statistically significant relationship between laissez-faire leadership and overall organizational growth in KAIHAN Inc.

H4: Leadership styles significantly affect employee satisfaction and retention in KAIHAN Inc.

1.7 Empirical Study

This empirical study will be conducted within KAIHAN Inc., an IT-related company in Alkharj that adopts a sharing economy model for its operations. The company provides ride services based on orders made through a mobile application by users. The study will involve collecting quantitative data through employee surveys and qualitative data through interviews with key organizational leaders.

The variables of interest include leadership styles (transformational, transactional, laissez-faire), and organizational performance metrics (employee productivity, financial performance, organizational growth).

1.8 Research Methodology

The research methodology for this study follows the 'research onion' model, which consists of six layers:

1. Research Philosophy: Positivism
2. Research Approach: Deductive
3. Research Strategy: Survey
4. Research Choice: Quantitative
5. Time Horizon: Cross-sectional
6. Data Collection Techniques: Questionnaires

The positivist philosophy aligns with the quantitative nature of the study, focusing on objective measurements and statistical analysis. A deductive approach will be used to test the hypotheses derived from existing theories. The survey strategy involves collecting data from a large sample of employees in KAIHAN Inc. The choice of

quantitative methods ensures the collection of measurable and comparable data. The cross-sectional time horizon allows for data collection at a single point in time, providing a snapshot of the current state of the variables of interest.

1.9 Suggested Project Structure

The project will be structured as follows:

1. Chapter 1: Introduction
2. Chapter 2: Literature Review
3. Chapter 3: Research Methodology
4. Chapter 4: Statistical Analysis
5. Chapter 5: Findings, Discussion, and Conclusion

Chapter Two: Theoretical Framework

2.1 Introduction

The literature review provides a comprehensive examination of the key research and theories related to the impact of leadership styles on organizational performance. Leadership styles play a critical role in shaping organizational outcomes, influencing factors such as employee productivity, financial performance, and overall organizational growth. This chapter will explore the primary leadership styles—transformational, transactional, and laissez-faire—and their respective impacts on organizational performance, with a particular focus on the context of the Kingdom of Saudi Arabia (KSA). The review will also analyze the relationship between these leadership styles and performance outcomes, drawing on both global and region-specific studies. The chapter concludes with a discussion of the implications for future research.

2.2 Leadership Styles

Leadership styles refer to the distinct approaches that leaders adopt to influence, guide, and manage their teams. The three primary leadership styles that are frequently discussed in the literature are transformational, transactional, and laissez-faire leadership.

2.2.1 Definition and Development

Transformational Leadership is defined as a leadership style that seeks to inspire and motivate employees to exceed their own self-interests for the sake of the organization (Bass, 1985). Transformational leaders are characterized by their ability to create a compelling vision, foster an environment of trust, and encourage innovation (Bass & Avolio, 1994).

Transactional Leadership focuses on the establishment of clear structures, where rewards and punishments are used to motivate followers (Burns, 1978). This leadership style is more directive and emphasizes the fulfillment of tasks and adherence to established processes.

Laissez-faire Leadership is characterized by a hands-off approach, where the leader provides minimal direction and allows employees to make decisions independently (Skogstad, et al., 2007). This leadership style is often criticized for leading to lower productivity and a lack of accountability.

2.2.2 Theories and Dimensions

Transformational Leadership Theories: The foundational theory was developed by Burns (1978) and further refined by Bass (1985), who identified four key components: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

Transactional Leadership Theories: This style is based on the principles of contingent reward and management by exception, where leaders focus on performance monitoring and corrective action (Avolio & Bass, 2004).

Laissez-faire Leadership Theories: Research by Skogstad et al. (2007) highlights the detrimental effects of laissez-faire leadership, particularly its association with role ambiguity, decreased job satisfaction, and increased workplace stress.

2.3 Organizational Performance

Organizational performance is a multifaceted concept that includes various metrics such as employee productivity, financial outcomes, and overall organizational growth. The effectiveness of leadership styles can significantly influence these performance indicators.

2.3.1 Definition and Development

Employee Productivity: Refers to the efficiency and effectiveness with which employees perform their tasks and contribute to the organization's goals (De Waal &

Sivro, 2012). Productivity is often measured by output per employee, quality of work, and adherence to deadlines.

Financial Performance: Includes financial metrics such as profitability, revenue growth, and return on investment (ROI) (Kaplan & Norton, 1992). Financial performance is a critical indicator of an organization's overall health and sustainability.

Organizational Growth: Involves the expansion of the organization's market share, customer base, and operational capabilities (Penrose, 1959). Growth is often measured through metrics such as market share, sales growth, and employee headcount.

2.3.2 Theories and Dimensions

Balanced Scorecard Approach: Developed by Kaplan & Norton (1992), the Balanced Scorecard is a strategic planning and management system used to align business activities with the vision and strategy of the organization. It includes financial measures, customer knowledge, internal business processes, and learning and growth perspectives.

Performance Measurement Theories: Various frameworks for assessing organizational performance have been developed, including Key Performance Indicators (KPIs) and benchmarking (Neely, 2005).

2.4 The Relationship Between Leadership Styles and Organizational Performance

The relationship between leadership styles and organizational performance has been extensively studied, with findings indicating that different leadership styles can have varying impacts on performance metrics.

- Research has shown that transformational leadership is generally associated with higher levels of employee satisfaction, productivity, and overall organizational performance

(Avolio & Bass, 2004; Bass, 1985). For example, a study by Judge & Piccolo (2004) found that transformational leadership was positively correlated with performance across various organizational settings.

- There is ongoing debate regarding the effectiveness of transactional leadership, particularly in dynamic environments where innovation is key (Bass & Riggio, 2006). While transactional leadership may be effective in stable environments, its rigid structure can hinder adaptability and creativity.
- Despite the extensive research on leadership styles, there is a notable gap in studies focusing on the Saudi Arabian context. The unique cultural and regulatory factors in KSA may influence the effectiveness of different leadership styles in ways that are not fully captured by existing theories (Ali & Sabri, 2020).

2.5 Conclusion

The literature review highlights the complexity of the relationship between leadership styles and organizational performance. Transformational leadership is often the most effective in driving positive outcomes, particularly in dynamic environments. However, transactional leadership also plays a critical role in maintaining stability and ensuring task completion. Laissez-faire leadership, while generally viewed negatively, can be appropriate in certain contexts where employee autonomy is valued. Future research should focus on exploring these relationships in different cultural contexts, particularly in Saudi Arabia, where cultural and regulatory factors may present unique challenges and opportunities. The findings of this study will contribute to the existing body of knowledge by providing insights into how leadership styles can be optimized to enhance organizational performance in the Kingdom of Saudi Arabia.

Chapter Three: Research Model

3.1 Research Model

The research model is designed to explore the relationships between different leadership styles and organizational performance. It aims to investigate how transformational, transactional, and laissez-faire leadership influence key performance indicators, such as employee productivity, financial performance, and overall organizational growth. Moreover, this model examines the role of cultural factors as a moderating variable, especially in the context of Saudi Arabia, where cultural values play a significant role in shaping leadership dynamics.

3.2 Leadership Styles

- **Transformational Leadership:** This style is characterized by leaders who inspire, motivate, and encourage innovation among employees. It is expected to have a positive impact on employee productivity and overall organizational performance. Transformational leadership is often associated with higher levels of employee satisfaction and engagement, which in turn leads to improved performance across various organizational metrics (Bass, 1985; Bass & Riggio, 2006).
- **Transactional Leadership:** Transactional leadership focuses on clear structures, rewards, and penalties. While effective in achieving specific, short-term goals, this leadership style might not foster long-term innovation or adaptability. Transactional leadership is expected to influence financial performance more directly by focusing on task completion and adherence to processes (Burns, 1978).
- **Laissez-faire Leadership:** Laissez-faire leadership, where leaders take a hands-off approach, often leads to lower productivity and less clear direction. Research has shown that this leadership style can negatively affect organizational growth and employee motivation (Skogstad, et al., 2007). However, in some highly autonomous work environments, laissez-faire leadership may be useful in fostering innovation among self-driven employees.

3.3 Organizational Performance

- **Employee Productivity:** Employee productivity refers to the efficiency and effectiveness of employees in contributing to the organization's goals. This variable is influenced by leadership styles, with transformational leadership typically leading to higher productivity due to increased motivation and innovation (Givens, 2008).
- **Financial Performance:** This refers to the financial outcomes of the organization, such as profitability, revenue growth, and return on investment. Transactional leadership, with its focus on monitoring and rewarding performance, is expected to have a more direct impact on financial metrics by ensuring that employees meet their performance targets.
- **Organizational Growth:** Organizational growth encompasses the expansion of market share, customer base, and operational capabilities. Growth is often linked to transformational leadership, as leaders who inspire innovation and strategic thinking are more likely to drive organizational expansion and adaptability in dynamic markets (Northouse, 2021).
- **Employee Satisfaction:** Employees' satisfaction refers to the degree of satisfaction of employees. It was noted that employees satisfaction is affected by the leadership style. Therefore, affecting the overall productivity.
- **Employees Retention Rate:** Rate of retention of employees means that the degree of turnover is low. This could indicate stability of the organizational culture.

3.4 Visual Representation of the Research Model

The research model can be visually represented as follows:

- **Independent Variables:** Transformational Leadership, Transactional Leadership, Laissez-faire Leadership
- **Dependent Variables:** Employee Productivity, Financial Performance, Organizational Growth, Employee Satisfaction, and Retention Rate

This model outlines the direct and moderated effects of leadership styles on organizational performance.

3.5 Conclusion of Research Model

This expanded research model offers a comprehensive framework for analyzing the relationship between leadership styles and organizational performance in the context of Saudi Arabia. The hypotheses derived from this model will guide the empirical study, which will use both quantitative and qualitative data to test these relationships and provide actionable insights for leaders in the Kingdom of Saudi Arabia.

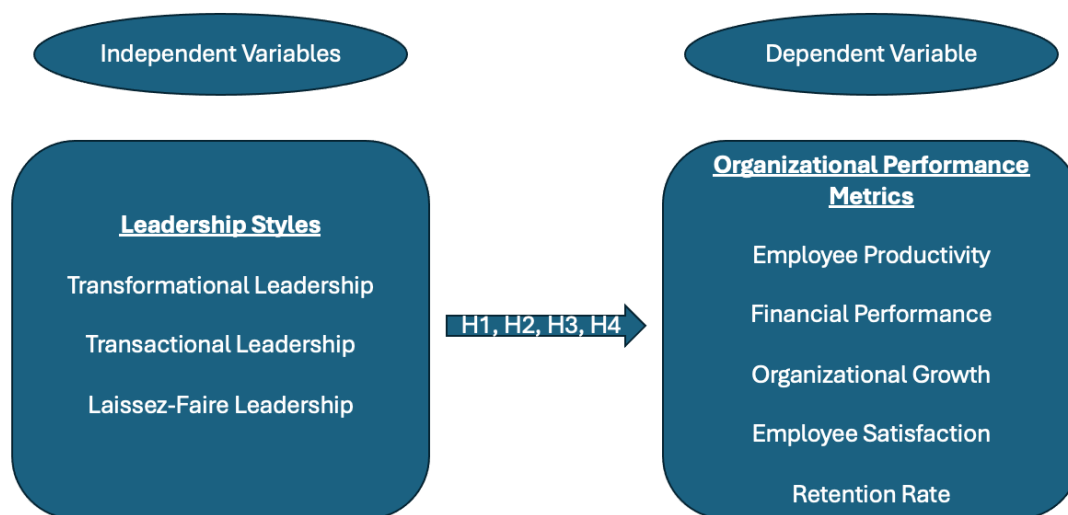


Figure 1: Research Model (Designed by Researcher)

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Appendecies

Appendix 1: Questionnaire for Research Variables

Dear Participant,

Thank you for taking the time to participate in this research study, which seeks to explore the impact of different leadership styles on organizational performance in the context of the Kingdom of Saudi Arabia. The objective of this research is to examine how transformational, transactional, and laissez-faire leadership styles influence key organizational outcomes, such as employee productivity, financial performance, organizational growth, employees' satisfaction, and retention rate.

Your responses will provide valuable insights into the relationship between leadership practices and organizational performance. Please note that your participation is completely voluntary, and all your responses will remain confidential. No identifying information will be linked to your answers.

This questionnaire consists of several sections, including questions related to your perceptions of leadership styles, organizational performance, and demographic information. Your honest and thoughtful responses are greatly appreciated.

Instructions:

- Please answer all questions based on your experiences and perceptions.
- Most questions can be answered by selecting the option that best represents your opinion.
- There are no right or wrong answers, and your responses will be kept anonymous.

Thank you for your participation!

Demographic Questions

1. What is your Gender?
 - Male
 - Female
2. What is your age group?
 - 18-24
 - 25-34
 - 35-44
 - 45-54
 - 55 and above
3. What is your highest level of education?
 - Secondary School
 - Bachelor's Degree
 - Master's Degree
 - Doctorate/PhD
 - Other ... (Specify)
4. How long have you been employed in Kaiian Co.?
 - Less than a year
 - 1-3 years
 - 4-6 years
 - 7-10 years
 - More than 10 years
5. What is your current position in Kaiian Co.?
 - Entry-level
 - Mid-level management
 - Senior management
 - Executive/Leadership role
 - Other ... (Specify)
6. In which department are you working within Kaiian Co.?
 - Finance
 - Marketing
 - Information Technology (IT)
 - Supporting Services
 - Other ... (Specify)

- For the following set of statements, please determine the degree of agreement or disagreement with each statement, where 1 indicate that you strongly disagree with the statement and 5 indicate that you strongly agree with the statement.

Question	Degree of Agreement				
	1	2	3	4	5
My leader makes others feel good to be around them.					
My leader articulates a compelling vision for the future.					
My leader encourages employees to think about old problems in new ways.					
My leader gives personal attention to employees who seem neglected.					
My leader helps me develop my strengths.					
My leader tells me what I need to do to be rewarded.					

My leader focuses attention on irregularities, mistakes, exceptions, and deviations from standards.					
My leader fails to intervene until problems become serious.					
My leader avoids making decisions.					
My leader delegates most of the decision-making to employees.					
I complete my tasks efficiently and effectively.					
I ensure that my work is of the highest quality.					
I consistently meet my work deadlines					
The company has been meeting or exceeding its profit targets.					
The company's revenue has increased over the past year					
The company's projects have delivered a high ROI.					
The organization is expanding its market share.					
The company's customer base has grown over the last 12 months					
The organization has increased its employee count over the past year.					
I am satisfied with my current job role and responsibilities.					
My workplace provides a supportive and conducive environment for my job.					
My contributions at work are recognized and rewarded.					
I am committed to staying with this organization for the foreseeable future.					
My organization provides a high level of job security.					
I see growth opportunities in my career within this organization.					

Variable	Dimensions	Questionnaire Items	Sources
Transformational Leadership	Idealized Influence	My leader makes others feel good to be around them.	(Bass & Avolio, 1994)
	Inspirational Motivation	My leader articulates a compelling vision for the future.	(Bass & Avolio, 1994)
	Intellectual Stimulation	My leader encourages employees to think about old problems in new ways.	(Bass & Avolio, 1994)
	Individualized Consideration	My leader gives personal attention to employees who seem neglected.	(Bass & Avolio, 1994)
		My leader helps me develop my strengths.	(Givens, 2008)
Transactional Leadership	Contingent Reward	My leader tells me what I need to do to be rewarded.	(Bass & Avolio, 1994) (Burns, 1978)
	Management by Exception (Active)	My leader focuses attention on irregularities, mistakes, exceptions, and deviations from standards.	(Bass & Avolio, 1994)
	Management by Exception (Passive)	My leader fails to intervene until problems become serious.	(Avolio & Bass, 2004)
Laissez-faire Leadership	Hands-off Approach	My leader avoids making decisions.	(Skogstad, et al., 2007)
		My leader delegates most of the decision-making to employees.	(Skogstad, et al., 2007)
Employee Productivity	Task Efficiency	I complete my tasks efficiently and effectively.	(Givens, 2008)
	Quality of Work	I ensure that my work is of the highest quality.	(Kaplan & Norton, 1992)
	Meeting Deadlines	I consistently meet my work deadlines	(Kaplan & Norton, 1992)

Financial Performance	Profitability	The company has been meeting or exceeding its profit targets.	(Kaplan & Norton, 1992)
	Revenue Growth	The company's revenue has increased over the past year	(Kaplan & Norton, 1992)
	Return on Investment (ROI)	The company's projects have delivered a high ROI.	(Kaplan & Norton, 1992)
Organizational Growth	Market Expansion	The organization is expanding its market share.	(Penrose, 1959)
	Customer Base Growth	The company's customer base has grown over the last 12 months	(Penrose, 1959)
	Employee Headcount Growth	The organization has increased its employee count over the past year.	(Penrose, 1959)
Employee Satisfaction	Job Satisfaction	I am satisfied with my current job role and responsibilities.	(Judge & Piccolo, 2004) (Givens, 2008)
	Work Environment	My workplace provides a supportive and conducive environment for my job.	(Judge & Piccolo, 2004)
	Recognition and Reward	My contributions at work are recognized and rewarded.	(Judge & Piccolo, 2004)
Employee Retention Rate	Commitment to Organization	I am committed to staying with this organization for the foreseeable future.	(Givens, 2008)
	Job Security	My organization provides a high level of job security.	(Judge & Piccolo, 2004)
	Career Development Opportunities	I see growth opportunities in my career within this organization.	(Judge & Piccolo, 2004)