

## The Study of Relationship between Change-oriented Leadership and the Quality of Services

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### ABSTRACT

The aim of this research was to study the relationship between change-oriented leadership and the quality of services. According to the objectives, this research could be considered as a practical one, and according to the methodology; it could be considered as descriptive. The statistical society included 268 employees of Lorestan Keshavarzi Bank Branches, from which 96 persons were selected as sample, using Morgan, Krechsi, and Cohen Table. The data were collected through library research, and the data regarding change-oriented leadership were collected through multi-factorial leadership questionnaire designed by Bass and Avolio. In order to evaluate the quality of services, it was used Servqual 22-question questionnaire. The validity and reliability, using alpha coefficient was 0.887, and the validity and reliability for multi-factorial leadership questionnaire, using alpha coefficient was 0/92 which indicated that questionnaires have both accepted validity and reliability. Results from hypotheses showed that there was a significant and powerful relationship between change-oriented leadership and the quality of services provided. Findings indicated that the factors related to change-oriented leadership such as individual consideration with the correlation coefficient of %69, idealized correlation with the correlation coefficient of %62, inspirational motivation with the correlation coefficient of %58, Intellectual Stimulation with the correlation coefficient of %56, and Idealized Behaviors with the correlation coefficient of %51, had the most important impact on the quality of services. Moreover, one of the alternative findings in this research found that there was no significant relationship between change-oriented leadership and quality of services, and also there was a negative relationship between non- interventional leadership and quality of services.

**KEYWORDS:** Change-oriented Leadership, Non-interventional Leadership, Exchange-oriented Leadership, Quality of Banking Services, Seroquel Model.

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### INTRODUCTION

Today, the competition for good services and good quality is one of the most important and key factors existing in all organization that provide services. Those organizations that consider a better level of "service" providing for their costumers, thus consider a better level of customer "satisfaction" as the preliminary steps of their competitive framework (Guo and et al 2008, pp. 305-308).

Banking system, as one of the basic parts of each economical structure of a country, taking a huge responsibility, cannot be considered out of this cycle. An essentiality for economic development is to run the capital properly and to have appropriate banking and monetary system. One of the most important factors many countries with economic crisis faced, is the lack of efficiency in their banking and monetary system. For banking system, to be efficient is to provide services with an acceptable quality and speed. This viewpoint results in costumer attraction and; therefore, both more performative and monetary benefits. In recent decades, the rise of competition between economical institutions leads them to comprehend the costumers' needs better and deeply.

One of the most important factors resulting in quality improvement is leadership. Leadership can be considered as the key aspect in organizational changes. The importance of leadership in organizations leads managerial researchers to search and investigate the characteristics and qualities of successful managers in organizations; and according such efforts, there has been created many schools and styles in leadership.

One of those styles of leadership is change-oriented one. Many studies have proved that change-oriented style of leadership the most proper and efficient one at the time of changes. Change-oriented leaders face the challenge of organizational and individual changes and have their influences on organizations and followers in order to redirect the group-based plans and increase the level of their commitments to organizational goals. These leaders increase the expectation of their employees' "performance" and are in search of changing their values and believes and directing them to the upper level of their "needs and wishes" (Eisenbeiss and et al, 2008, pp. 1438-1446).

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Therefore, this research wants to study the improvement of banking service qualities from the viewpoint of leadership style variables.

## LITERATURE REVIEW

**Change-oriented Style of Leadership.** Change-oriented style of leadership is one of the most innovative styles of leadership which can be categorized as one the neo-charismatic theories and this is why many researchers and scholars pay a lot of attention to it. For the first time, this phrase was used by Danton in the year 1973. However, this phrase was not common until classists used it by James Burns (2001, pp. 389-402).

At first, the theory of change-oriented leadership was introduced in order to distinguish between those groups of leaders having powerful and motivational relationship with their subordinates and followers, and those groups of leaders putting the most important emphasis on cooperation to gain results. Bass and Avolio developed "Burns' idea" and concept about leadership and created a different concept of "change-oriented leadership style" (Bass and *et al.* 1987, pp. 73-88). Bass and Avolio believed that change-oriented leadership would be created only when the "leader develops the employees' desires and interests", creates comprehension, the feeling of acceptance, and commitment for missions and chooses employees' benefits over his/her benefits (Bass and *et al.* 1987, pp. 73-88).

Change-oriented leadership has been studied by many researchers, especially by Bass, Waldman, Avolio, and Bebb. On the whole, these researchers clarified the characteristics of change-oriented leaders as warm and kind, need for power, rhetoric, talent and attention to others. These leaders can motivate the followers; they can inspire them and attract their trust and commitment; moreover, they can change organizational believes, views, goals and standards. They create such a feeling within "followers" that they are considered as human being, and help them to see the problems from a different view (Bass and *et al.* 1987, pp. 73-88).

According to the theory of change-oriented leadership, a leader needs to use some inner role-players in the organization in order to do some tasks and reach the goals. Based upon such a view, the change-oriented leadership goal is to insure that the way to reach the goals is understood by those inner role-players in an obvious manner; to remove the limitations within the system; and to motivate those inner role-players to reach their established goals.

As it is mentioned, James Burns, at first, introduced the preliminary idea of exchange leadership and change-oriented leadership in politics, and then converted it into organizational system. Following his researches in the year 1987, Bass and Avolio introduced a leadership style that respectively used "exchange leadership and change-oriented leadership" in order to establish stable situations and organizational changes (Bass and *et al.* 1987, pp. 73-88).

Furthermore, Bass and Avolio developed this style in the year 1995, and identified the aspects and dimensions of change-oriented leadership and exchange leadership and even made this style into practice by means of a multi-dimensional Multifactor Leadership questionnaire (Bass and *et al.* 1998).

Bass and Avolio introduced a change-oriented leader as a person who creates a positive relationship with his subordinates in order to increase the performance of employees and organization. He motivates employees to go beyond personal needs and be accompanied by the goals of group or organization. These leaders "inspire their subordinates" to do their bests (Bass and *et al.* 2002).

From Bass and Avolio's view point, the second characteristic of a change-oriented leader was to be someone who prefers a leadership-oriented business; in fact, he satisfies his employees' needs according to their performances and increases the preliminary expectations. This leader operates better at the time of risks and insures the employees about their chances to reach their goals.

The third characteristic of this style was the exchange leadership or non-interventional leadership which is a perfunctory style within with there is a negative relationship between leader and subordinate performance. These leader are absent at the time of emergency and ignore taking responsibilities; and therefore, do not follow help requests from subordinates.

### Change-oriented leadership

In order to be practical, change-oriented leadership needs four factors as the bases of this theory including:

- 1- **Idealized Influence:** A leader having such factor, has the characteristics of a charismatic leader who is praised by his/her subordinates; and therefore, subordinates know him/her as a model or pattern, and try to be as the same as him/her.
- 2- **Inspirational Motivation:** A leader having such factor motivates the employees to believe their goals and their abilities to reach them. These leaders are often optimistic about future and goals.
- 3- **Intellectual Stimulation:** A leader having such factor inspires the leaders mentally. These leaders motivate their followers to be creative in problem solving and to investigate obvious presuppositions. They motivate the followers to look at the problems in different dimensions and create innovative solutions.
- 4- **Individual Consideration:** A leader having such factor meet emotional needs of his/her subordinates. These leaders identify the individuals' needs and spent a huge amount of time on training and educating them.

**Quality.** Quality is a common word having many meanings and usages. But the common concept in all these meanings is “the adjustment of products or services with needs and expectations of costumers”. Quality starts from the costumer and all aspects regarding the product without costumer’s opinion necessarily follow no quality. Therefore, quality is defined based on the adjustment of product with those expected qualities in customer’s mind or the degree that a product can “satisfy costumers’ expectations” (*Johnson and et al. 2003, pp. 1-15*).

**Quality of Services.** In the part of service providing, quality evaluation occurs at the time of providing those services. Each contact from a costumer is considered as a moment in order to create trust and to satisfy him/her. Since the time that the important role of services in life became obvious, the quality of services also became an important aspect in the competition between organizations; in a way that quality of services distinguished the organizations from each other and led them to gain competitive characteristic.

**The Quality of Banking Services.** Paying attention to quality in businesses like insurance companies, banking systems and others alike, plays a very important role, because the quality of services is “vital” for “survival” and “earring of such organizations” (*Stafford and et al. 1998, pp. 426-440*). In the field of banking services, quality of services is defined as costumer’s “attitude or viewpoint” about the degree of “excellence” regarding the service provided in the banking system (*Al- Hawari, and et al. 2009, pp. 455-472*).

**Evaluating the Quality of Services – Servqual Model.** Majority of researches done in this field were based upon GAD Model provided by A. Parasuraman and his coworkers in the year 1988. This model was constructed based upon the analysis of the gaps or the limitations for good quality. The researches put the emphasis on the assessment of the gaps between costumers’ expectations and comprehensions from services as the main concept for quality of services. For such a reason, they designed Servqual Model. Servqual is designed according to the view that evaluation or assessment by costumer is the key factor to identify the quality; and this assessment is described as the gap between what costumers expect as the providing quality of some special services and their evaluations of the related performance. The main hypothesis is that costumers can determine their expectations from those characteristics of qualities, and distinguish their expectations of services from their comprehensions. Parasuraman and his coworkers in the year 1994 identified 5 dimensions for quality:

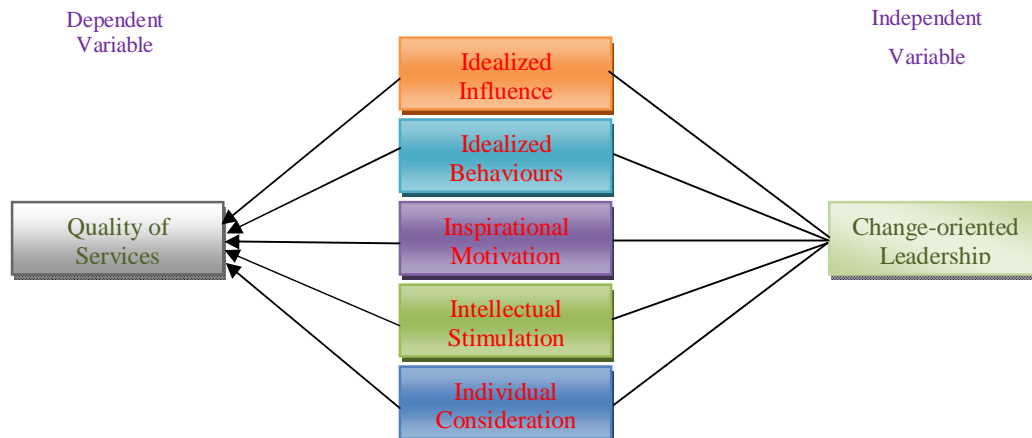
1. **Reliability:** Ability to do what is committed exactly and reliably.
2. **Assurance:** The knowledge and skills of employees, their politeness, kindness, and ability in attracting costumers’ trust, the low degree of risk and ambiguity.
3. **Tangibles:** The appearance of physical equipment, tools, machines, employees, materials, and relational ways.
4. **Empathy:** The ability of creating a connection and easy contact with costumers; and also identifying and paying attention to each of them according their desires.
5. **Responsiveness:** The ability and desire to help customers and providing fast services (*Parasuraman et al. 1994, pp. 111-124*).

For each of the dimensions, they mentioned factors based upon which they design questionnaires. These questionnaires were distributed in two different ways – first time for the assessment of costumers’ expectations and the second time for the assessment of costumer’s comprehensions. Moreover, this kind of questionnaire would be a “good tool” in order to evaluate these factors without considering researcher’s “will” (*Parasuraman et al, 1988, 12-37*).

### Conceptual Framework

The conceptual framework of this study provides the factors (idealized influence, idealized behaviours, inspirational motivation, intellectual stimulation, and individual consideration) of change-oriented leadership and is used in order to evaluate the quality of services according to 22-question Servqual questionnaire and also intellectuals and scholars views.

**The conceptual framework of the study**



Knowing change-oriented style of leadership and its relationship with many other issues, there have been done many researches. One of these researches was “The relationship between transformational leadership and employee’s satisfaction at Jordanian private hospitals” by Soleyman Shilal and Hossien Al-Ziyad in Jordan, 2011. The findings showed that there is a significant relationship between 5 factors of this style and employees’ satisfaction.

The other research was “Impact of transformational leadership style on effective employees’ commitment; an empirical study of Banking sector in Islamabad (Pakistan)” by Tabasom Rezaee. The results showed that there is a significant and positive relationship between this style of leadership and employees’ commitment.

## RESEARCH METHODOLOGY

According to the objectives, this research could be considered as a practical one, and according to the methodology; it could be considered as descriptive. The statistical society included 268 employees of Lorestan Keshavarzi Bank Branches, from which 96 persons were selected as sample, using Morgan, Krechsi, and Cohen Table. At the first level the multi-dimensional leadership questionnaire (leadership form and subordinate form) was distributed among the employees, and then service quality questionnaire, and finally the data were collected.

This questionnaire – containing 36 questions - mixed the questions of three different style of leadership including change-oriented, exchange-oriented, and non-interventional and placed the subjects in a situation that is so close to reality.

We used SPSS software to calculate the analysis. The validity and reliability for service quality questionnaire, using alpha coefficient was 0.887, and the validity and reliability for multi-factorial leadership questionnaire, using alpha coefficient was 0/92 which indicated that questionnaires have both accepted validity and reliability.

## FINDINGS

According to this framework, the hypotheses of the research can be enumerated as follows:

**The main hypothesis:** There is a significant relationship between change-oriented leadership and quality of services.

Moreover, in order to understand this relationship, change-oriented leadership and its role in developing the quality of services in a better way, we test change-oriented leadership style dimensions separately; therefore, the alternative hypotheses are:

**The 1<sup>st</sup> alternative hypothesis:** There is a significant relationship between idealized influences and quality of services.

**The 2<sup>nd</sup> alternative hypothesis:** There is a significant relationship between idealized behaviors and quality of services.

**The 3<sup>rd</sup> alternative hypothesis:** There is a significant relationship between inspirational motivation and quality of services.

**The 4<sup>th</sup> alternative hypothesis:** There is a significant relationship between intellectual stimulation and quality of services.

**The 5<sup>th</sup> alternative hypothesis:** There is a significant relationship between individual considerations and quality of services.

Furthermore, in order to evaluate the significance of correlation, we used correlation coefficient table in which the degree of freedom for correlation coefficient is 0/05 and 0.01.

**Table 1 (Correlation matrix of change-oriented leadership with quality of services)**

Dimensions	Change Oriented Leadership	Idealized Influences	Idealized Behavior	Intellectual Stimulation	Inspirational Motivation	Individual Considerations	Quality of Services
Change Oriented Leadership	-						
Idealized Influences	0/87**	-					
Idealized Behavior	0/91**	0/81**	-				
Intellectual Stimulation	0/82**	0/65**	0/73**	-			
Inspirational Motivation	0/80**	0/86**	0/70**	-	-		
Individual Considerations	0/81**	0/60**	0/76**	0/67**	0/69**	-	
Quality of Services	0/76**	0/51**	0/62**	0/56**	0/58**	0/69**	-

\*Correlation is significant at the 0.01 level (2-tailed).

As it is shown in table 1, between change-oriented leadership and quality of services, there is the correlation coefficient of 0/76 which is acceptable at the error of %1. Moreover, other factors’ correlation coefficients are shown. Furthermore, in this study, in order to investigate the relationship between change-

oriented leadership style and quality of services, the relationship between exchange leadership and non-interventional leadership and quality of services is studied; and the results are shown in table 2.

**Table 2 (correlation matrix of leadership styles and quality of services)**

Dimensions	Change-oriented Leadership	ExchangeLeadership	Non-interventional Leadership	Quality of Services
Change-oriented Leadership	-			
Exchange Leadership	0/30*	-		
Non-interventional Leadership	-0/40**	-0/24	-	
Quality of Services	0/76**	0/28	-0/26	-

\* Correlation is significant at the .05 level (2-tailed).

\*\* Correlation is significant at the .01 level (2-tailed).

According to table 2, and also correlation coefficient of 0.28 between two variables of exchange leadership and quality of services, it can be concluded that there is no significant relationship between these two variables. Moreover, the correlation coefficient between two variables of non-interventional leadership and quality of services is -0.26; it means that there is no significant relationship between these two variables.

## CONCLUSION

Bass and Avolio introduced change-oriented style of leadership including 5 factors. According such a view, this research studied the relationship between 5 factors of change-oriented leadership and the quality of services. Then, according to the average of all these factors, the relationship between change oriented leadership and quality of services was found out. Moreover, according to the data of exchange leadership and non-interventional leadership, we investigated the relationship between these two styles of leadership.

As it is shown in the table 1, there is a significant between all dimensions of change-oriented leadership style and quality of services. Therefore, we can conclude that the alternative hypothesis is accepted. Moreover, the analysis of all factors in detail shows that the most significant relationship is between individual considerations and quality of services.

Nevertheless, according to table 2, there is no relationship between exchange-oriented style of leadership and quality of services. Moreover, it is concluded from other alternative hypotheses that there is a negative relationship between non-interventional leadership and quality of services.

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