

# Investigating the relationship between leadership styles and decision making styles with special reference to the managers in blue chip companies in Sri Lanka

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## Introduction

Decision making is the one of key function of a manager. Making high quality management decisions is a fundamental feature in determining organizational performance. Hence, the effectiveness of any organization depends on the managerial approach to decision making (Kaur, 1993).

Primary purpose of the present research was examining the relationship between Leadership Styles (LSs) and Decision Making Styles (DMSs) with special reference to the managers in Blue Chip Companies in Sri Lanka. As blue chip companies are the largest companies listed in the Colombo Stock Exchange, they are providing a pivotal contribution to the economy in numerous ways by generating employment opportunities, introducing newest technology to the country, and etc. The quality of the leaders'/ managers' decisions is a significant contributor in determining organizational performance. Accordingly, it is necessary to having suitable leaders for managing largest companies in the country rather than other business organizations. Both leadership style and decision making approach are expected to affect organizational performance (Russ et al., 1996). If an association between LSs and DMSs is identified, it will aid to forecast the DMS of a manager. Present research has been taken into account rational, dependent and avoidant DMSs by (Scott and Bruce 1995) and transformational, transactional and Laissez faire LSs by (Baas and Avolio 1995). Rational DMS refers to the "logical evaluation of alternatives", dependent DMS refers to "depending on advice from others before making important decisions" and avoidant DMS means that "avoiding to make decisions" (Salo and Allwood, 2011). Transformational leaders are encouraging followers to solve problems in their own way with providing interesting and challenging tasks (Pounder, 2003). Transactional leaders influence the followers to achieve their valued outcomes (e.g. wages, promotions) to motivate subordinates to perform as expected by the leader (Den Hartog *et al.*, 1997). Laissez faire leaders are not offering feedback or supporting to the followers, delaying decision makings, giving up responsibilities and avoiding decision making (Robbins *et al.*, 2007).

## Methodology

Fifty one managers of blue chip companies were selected as the sample of the present study through simple random sampling method. As blue chip companies are the largest companies listed in the Colombo Stock Exchange blue chip companies were selected through the ranked list of well performing companies in the Colombo stock exchange. A total of 60 questionnaires were distributed and 51 valid responses collected.

**Table 01: Demographic Profile of the Respondents**

| Features                | Frequency | Percentage (%) |
|-------------------------|-----------|----------------|
| Age (in years) 28 to 35 | 11        | 22%            |
| 36 to 42                | 22        | 43%            |
| 43 and above            | 18        | 35%            |
| Total                   | 51        | 100%           |

|            |              |    |      |
|------------|--------------|----|------|
| Levels     | Lower        | 9  | 18%  |
|            | Middle       | 24 | 47%  |
|            | Top level    | 18 | 35%  |
| Total      |              | 51 | 100% |
| Experience | 5-10 years   | 9  | 18%  |
|            | 11-20 years  | 23 | 45%  |
|            | 21 and above | 19 | 37%  |
| Total      |              | 51 | 100% |

Source: Amarathunga & Patiratne, 2016

Two standardized questionnaires were selected for data collection. Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio (1995) was used to measure LSs. MLQ consisting with 36 items to be measured on a five point scale from 1 to 5. The reliability analysis revealed Cronbach's Alpha value is ranging between 0.70 to 0.82 for all the three styles of the present study. General Decision Making Style (GDMS) Questionnaire developed by Scott and Bruce (1995) was used to measure DMSs. GDMS questionnaire measures DMSs consisting with twenty five items using five points likert scale from 1 to 5. The Cronbach's alpha value was between 0.69 and 0.79 for all the DMSs on the study sample of present study.

Research data were analyzed through descriptive statistics (mean, standard deviation) and Spearman's correlation analysis in order to estimate the relationship between LSs and DMSs using SPSS version 21. Correlation coefficient of the present study has been interpreted based on the interpretation of correlation coefficient made by Vaus (2002) as, if correlation coefficient from 0.01 to 0.09 relationship is trivial, from 0.10 to 0.29 low to moderate, from 0.30 to 0.49 moderate to substantial, from 0.50 to 0.69 substantial to strong, from 0.70 to 0.90 very strong and from 0.90 to 0.99 there is a near perfect relationship.

## Findings

**Table 02: Correlation coefficients, Means and Standard Deviations**

| Variables  | R       | D      | A       | TFM     | TSL   | LF | Mean  | SD  |
|------------|---------|--------|---------|---------|-------|----|-------|-----|
| <b>R</b>   | 1       |        |         |         |       |    | 23.44 | 2.1 |
| <b>D</b>   | 0.121   | 1      |         |         |       |    | 15.38 | 3.8 |
| <b>A</b>   | 0.102   | 0.107  | 1       |         |       |    | 10.13 | 3.9 |
| <b>TFM</b> | 0.587** | 0.157  | 0.034   | 1       |       |    | 77.56 | 6.9 |
| <b>TSL</b> | 0.334*  | 0.498* | 0.102   | 0.629** | 1     |    | 43.42 | 4.3 |
| <b>LF</b>  | -0.134  | 0.197  | 0.516** | 0.011   | 0.137 | 1  | 8.13  | 2.7 |

R- Rational, D- Dependent, A- Avoidant, TFM- Transformational, TSL- Transactional, LF- Laissez-faire, \*  $p < 0.05$ , \*\*  $p < 0.01$

Hypothesis 01: Rational DMS positively correlated with Transformational LS

Rational DMS and Transformational LS were found substantially positively correlated to each other as the correlation coefficient is 0.587 at 0.01 level of significance. Accordingly, it is revealed that leaders who have transformational leadership style substantially using rational decision making style.

Hypothesis 02: Dependent DMS positively correlated with Transactional LS

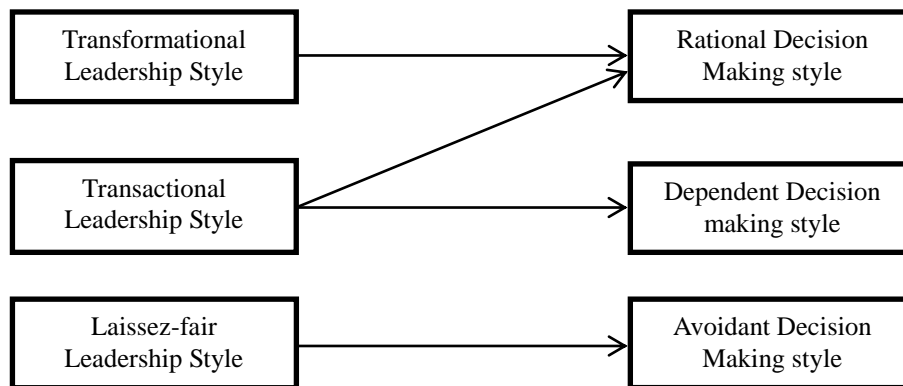
Dependent DMS and Transactional LS were found moderately positively correlated to each other as the correlation coefficient is 0.489 at 0.05 level of significance. Hence, it is shown that leaders who have transactional leadership style slightly using dependent decision making style.

Hypothesis 03: Avoidant DMS positively correlated with Laissez-faire LS

Avoidant DMS and Laissez-faire LS were found substantially positively correlated to each other as the correlation coefficient is 0.516 at 0.01 level of significance. Consequently, it is revealed that leaders who have laissez faire leadership style substantially using avoidant decision making style.

## Conclusions

Based on the findings the association between LSs and DMSs can be summarized as follow,



**Figure 01. Association between LSs and DMSs**

Transformational leaders have rational decision making style. Transactional leaders are mostly having dependent decision making style but they are using rational decision making style as well because there is a moderate positive relationship between transactional LS and rational DMS as the correlation coefficient is 0.334 at 0.05 level of significance. Scott and Bruce (1995) also mentioned that the DMS are not mutually exclusive. Hence it is possible that managers may adopt more than one DMS simultaneously. Accordingly, a certain style may dominate and decision making behavior of a person, but it may be accompanied by other styles. There was a significant association between Laissez-fair LS and avoidant DMS which is categorized as association with delays, denial and poor performance. Accordingly, as Laissez-fair leaders are avoiders and they rescue the decision making tasks, top management should organize necessary training sessions and workshops in order to improve the decision making skills of Laissez-fair leaders.

Findings of the present research might contribute substantially to forecast the decision making styles of managers because an effective decision making is one of the vital and necessary function of high quality leadership. It can be suggested for further researchers investigating the association between demographical factors and decision making styles of managers because there could be other variables which are determining leadership styles and decision making styles of managers.

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