IMPACT OF GLOBAL LEADERSHIP BEHAVIORS ON PERFORMANCE OF MULTINATIONAL COMPANIES

Rabiu1, Nazariah Osman2, Muhammad Fuad Othman3, Md. Abu Raihan4

1,2,3School of International Studies, Universiti Utara Malaysia, Sintok, Malaysia
4Department of Economics, Islamic University, Kushtia, Bangladesh

rabiul@uum.edu.my, mfuad@uum.edu.my, nazariah@uum.edu.my, abu_raihanecoiu@yahoo.com

Article History: Received on 25th February 2019, Revised on 30th April 2019, Published on 30th May 2019

Abstract

Purpose of Study: The aim of this study is to influence the global leadership behaviors on performance in multinational companies. The leadership of multinational companies has become a prominent issue in the 21st century. Organizational performance depends on the leadership style and behavior of the organization. It is also viewed as the survival and profitability of an organization in which its measurement is primary both in manufacturing and services. On the other hand, transactional leadership focuses mainly on goal attainment and transactional leaders are focused on task completion and have fewer emphasis on the emotions and challenges of subordinates or employees.

Methodology: The data for this study were obtained from existing literatures on the impact of global leadership behaviors on the performance of multinational companies. The methodology heavily relied on existing previous literatures on the subject being dealt with.

Results: Transactional leadership was explicited as the style of leadership that focuses on meeting specific goals or performance criteria and the development of followers and their needs. Relations-oriented leaders are different from task-oriented leaders. On this side of the spectrum, relations-oriented leaders tend to focus more on developing a close relationship with their employees.

Implications: Transactional leadership style lacks supervision and influence on subordinates from leaders, as they indulge themselves from any situation that threatens or confronts them; therefore, the responsibilities are shifted on the employees.

Keywords: Globalization, Leadership, Performance, Multinational Company

INTRODUCTION

The leadership of multinational companies has become a prominent issue in the 21st century. The rise of technology, knowledge workforces, and globalization has transformed the world into a global village, where social responsibility and diversity are not the only major challenges of organizations. Organizations must compete for effective leaders and with capabilities for innovation and creativity, flexibility to adapt and change, and survive in future. Therefore, these challenges need global leaders with a high level of creativity, adaptable to rapid change in business environment, and effective leadership skills.

Globalization today has forced and shifted how business and companies operate in the world. The development in technological advances, deregulation, and an increase in competition has encouraged companies to be global, transforming their businesses and productions to an international level. Such organizations at the global level are most concerned with their performance due to high competition in the market, as such companies and organizations are constantly focused on progressing, setting strategic objectives, and expanding their operations. However, there are various factors influencing and driving organizational performances, with leadership being a factor influencing the effectiveness and performance of such organizations.

Given that leadership is a process of influencing others to achieve a desired goal or objective, leadership concepts, such as leadership behavior and styles have a profound impact on the performance of multinational companies. Global leader is the term referred to individuals who lead people and organizations from different regions of the world. Holt and Seki (2012) indicated that global leaders operate in paradoxical and complex world of different multicultural backgrounds. Therefore, it is important to examine the impact of global leadership behaviors on the performance of multinational companies. This paper has outlined the styles and behaviors of leadership used in multinational companies and how each style affects and impacts organizational performance.
Organizational performance depends on the leadership style and behavior of the organization. It can be stated that organizations with the most appropriate style of global leadership focuses on the satisfaction of employees and goal attainment and performs best amongst its competitors. Analyzing form the three styles of leadership, namely, transformational, transactional, and laissez-faire, the distinctive differences should make it rational for organizations to choose and implement their styles on the basis of their organizational objectives.

From the observation of the literature, leadership has a significant relationship and effect on organizational performance, both in positive and negative aspects. Leaders with transformational style tend to achieve better performance since they are concerned about their employees' emotions and challenges. Therefore, they are able to inspire, encourage, and train their subordinates to an advanced problem-solving skill, rise up to their full potential, and their capabilities for success. Transformative leadership has acquired the highest level of organizational performance and commitment, especially in service business organizations and multinational companies like Google, Facebook, and Apple. Their behavior in terms of global leadership is towards relation-oriented leadership behavior, which enables them to establish good relations with their employees. This results from the satisfaction level of the employees from their leaders which encourages them to perform better. A good example of an organization is a hotel. If the hotel employees are satisfied with the management and are happy, inspired, and motivated, then they will serve customers effectively. On the other hand, transactional leadership focuses mainly on goal attainment; leaders using this style of leadership are focused on task completion and have fewer emphases on the emotions and challenges of the subordinates or employees. Thus, they use the contingent reward to motivate their followers, these rewards can come both in positive and negative form. In terms of successful task accomplishment, leaders can reward followers or employees with promotion, the rise in salaries/wages, or bigger task to accomplish, thereby motivating followers or employees and increasing their organizational performance. The global leadership behaviors in transactional leadership are oriented towards tasks.

Lastly, laissez-faire style of leadership is related to negativity and unproductivity among all forms of leadership, because laissez-faire leaders ignore all leadership contents, i.e., influence, authority, and instruction of orders. Accordingly, they are considered as avoidant leaders who may either avoid tasks and responsibilities or might not intervene in their employees’ work affairs, thereby avoiding any form of relationship with subordinates. This style of leadership is fully associated with unproductiveness, laziness, dissatisfaction, and ineffectiveness. According to Koech and Namusonge (2012), it affects the leadership of organizational performance at State Corporation in Kenya, as their results indicated that there was no significant relation between laissez-faire leadership and organizational performance.

In political economy, states allocate and distribute power, where power can be viewed as divided between relational power that means the ability to cause another actor to do or not to do something. States can be used as an alternative schema to view power as divided between hard power and soft power, where hard power is about the application of coercive force to compel another actor to do something while soft power is about using the influence of culture, beliefs, and values to persuade other actors to do something. Market is about the realm of individual action and self-interest and tends to emphasize concerns of efficiency (Islam, 2012; Islam et al., 2013; Alshammari & Islam, 2014). In addition, the society part of the international political economy is the realm of the history, culture, and values of the social system (Abidin et al., 2016a, 2016b). It is because, state, market, and society often embrace different values and prefer different methods for realizing them, where sharp tension and conflicts often occur. Thus, these three spheres give the interconnectedness and a change in one sphere often evokes a change in the other spheres, rendering international political economy to a constant state of transition. International migration refers to the cross-border movement of people from a mother country to another country, with the purpose of taking up higher income employment, better living conditions, higher education, getting access to civic amenities, and conducting a daily existence for an extended period of time (Alam et al., 2011).

However, the international political economy is a network of bargains between and among states that deals in power and markets where deal with wealth. These bargains determine the production, exchange, and distribution of wealth and power as well. Bargaining in international political economy can take many forms. Some of them are formal agreements signed, ratified, and enforced, and other bargains merely are conventions, understandings, or rules of thumb. However, some of international political economy bargains reflect the rational power of one player to get another to do or not do something. All various environmental impacts of trade policies on natural resources are difficult to assess, but evidence indicates the presence of both negative and positive impacts (Islam et al., 2010; Islam & Siwar, 2010; Islam et al., 2017a, 2017b, 2017c).
LITERATURE REVIEW

Global Leadership

Previous literature focused most on explaining the impacts of leadership concepts and behaviors on organizations within states, e.g., "Impact of Leadership Style on Organizational Performance: A Case Study of Nigerian Banks" by Ojiokuku et al. (2012). The shift from an industrialized era to globalization has created a vacuum, where organizations and companies are expanding their production into the international market and transforming their companies into multinational companies. Thus, this change requires a leadership style and behaviors which will be able to adapt to rapid globalization, cultural diversity, gender equality, and universal objectives for the organization. Global leader is the term given to leaders and managers of multinational companies who are able to manage and lead companies outside their home countries and are able to adapt to the organizational culture and tradition of the host country.

Global leaders are believed to have leadership behaviors which enable them to perform well, lead and manage the multinational organizations. A study by Goldsmith et al. (2003) on global leadership indicated that global leaders have certain behaviors that make them global leaders despite having overall leadership skills, such as managing change, decision making, goal attainment, vision, and strategic thinking. He further identified the global leadership behavior as thinking globally, building partnerships and alliances, appreciating cultural diversity, and sharing leadership (Teshome, 2011).

Holt and Seki (2012) in their article concluded while defining global leadership that there is a need for a common mindset on global leadership, which is important in shaping the expectation and organizational culture in which global leaders and managers operate. They further argued that if this common mind-set is not shared, then executives running multi-country operations might be the only ones viewed as global leaders, and if such a thing occurs, other people may not realize that such label of ‘global leader’ applies to them. Accordingly, they defined global leader as "anyone who operates in the context of multicultural paradoxical complexity to achieve results in the world" (Holt & Seki, 2012).

According to Jokinen (2005), it is often argued that domestic leaders somehow do not succeed internationally for certain reasons. However, the question is why are competencies required in the global context? He indicated that there are two basic assumptions to the question. Assumption one is that global leaders have just developed their (general) competencies into a higher (global) level, and assumption two is that global leaders have competencies different from those needed in the domestic context.

On the contrary, Baruch (2002) contended the absence of global manager/leader or any criteria for such title. However, they view the concept of global manager/leadership as a task of a network of specialists including business managers, country managers, and functional managers”. As such, they suggested that top executive is a leader who understands the strategic importance of the three types of managers and can manage their complex interactions. Baruch (2002) concluded that the main factor of conventional managers is the global mind-set (Taylor Pam, 2014).

Dekker (2012) explained in his book ‘Global Mind-set and Leadership Effectiveness’ that the term ‘global’ in global leadership refers to the intercultural aspects of leading and managing followers with a different cultural background and the geographical spread of business operations. He defined the concept as the process of influencing others, which involves attitude, behavior with different people with different cultural backgrounds around the world (Mendenhall et al., 2008). Accordingly, from this definition, Dekker (2012) identified that global leadership comprises of an integration of many different cultural perspectives within trans-world organizations, reconciliation of contextual complexity of global business environment, and joint effort of central headquarters and local subsidiaries in pursuit of a global strategy. Moreover, he indicated that these are contemporary complex factors that force organizations and companies to develop executives with the ability to lead in a global complex environment.

Organizational Performance

Multinational companies around the world today are ranked by their performance over a period of time, mostly annually. According to Hurdzeu (2015), organizational performance refers to the transformation of input into outputs for attaining certain results. He further indicated in his article that organizational performance informs about the relationship between the economy (minimal and effective cost) and the overall effectiveness of the efficiency of an organization. Khan and Adnan (2014) defined "Organizational performance as the ability of an organization to meet set targets for production and profit as well as development and growth envisioned by the leader or founder. Achievement of goals or objectives like maximum profit, good quality product, increased share in the market, profitable financial results and an effective strategy for development and growth form a part of organizational performance” as cited in (Musmuliana, 2012).
Organizational performance is also viewed as the survival and profitability of an organization in which its measurement is primary both in manufacturing and services. For a service organization, their effectiveness and performance are measured by their customers’ satisfaction and good relationship is preferred over profit. The main performance and effectiveness of manufacturing organizations is in the quality of their product and such organizations are more concerned with profit maximization (Islam & Abdullah, 2013; Islam & Al-Nasser, 2013; Islam & Al-Homayan, 2013; Al-Nasser et al., 2013a, 2013b, 2013c; Al-Homayan et al., 2013; Sarker & Islam, 2013; Al-Nasser et al., 2015; Saad et al., 2016; Al-Nasser et al., 2016a, 2016b; Khan et al., 2017).

Performance, as a multidimensional concept, is intended to achieve results linked to strategic goals and objectives of any organization (Ali et al., 2013). Jon and Randy also define organizational performance as actual inputs or results of an organization measured towards its intended goals, objectives and outputs. They further explained that it is a process through which organizations enhance their effectiveness and well-being of its members through planned interventions. In addition, they outlined that one of the fundamental aspects is that organizational leaders impact organizational performance (Mustaffa, 2012). The literature focuses on how leadership influences organizational performance, the relations between leadership and performance and do leadership style and behavior determine how effective multinational organization performs.

The main actors of any organizations are their employees, because their dedicated collaborative efforts produce organizational efficiency, and most of the organizations without employees would not exist or function. According to Ali et al. (2013), the performance of organizations depends on its workforce at all levels and it is important to discuss on individuals performance. From the definition above, is essential to consider the impact of leadership on employee’s performance.

Root in his article ‘how does leadership style influence organizational productivity’ discusses four factors deemed to influence organizational performance; communication, employee input, morale, and goals. He clarified that employee input is valuable in improving productivity; however, it is the leadership style and behavior that affects the effectiveness of employees’ input. For example, managers with democratic leadership accept information and input for employees and use the effort to improve the company performance while others with a different behavior choose otherwise.

Since organizational performance is important for multinational companies to analyze, an important element for success in any organization is the leader’s ability to utilize and optimize the human resources of the company. Ali et al. (2013) outlined that effective leadership behavior can facilitate the attainment of followers’ desires and Fiedler (1967) argued that it results in organizational performance and efficiency. Accordingly, good leaders inspire and motivate their employees and followers in achieving their desired and organizational goals. For organizations to achieve these goals their employees must be inspired and motivated by themselves and the environment in which they work. Therefore, effective leadership provides employees with a universal drive to goal attainment. This develops a significant relationship between the leadership style/behavior and the employees’ performance (Ali et al., 2013).

Leadership Style and Behaviors in Multinational Companies

The role of leadership in organizations is important for their survival. Consequently, leaders are required to establish clear communication, vision, and objectives for the organization. In addition, they also set up the leadership tone and behavior for their organizations by developing a system of governance by which their employees operate. This establishment tends to shape the organizational policies and employees’ behavior and performance. There are basically three major leadership styles and behaviors in organizational leadership, namely, transformational, transactional, and laissez-faire.

Transformational Leadership

According to Wamy and Swamy (2014), transformational leadership style focuses on the development of followers well as their needs. Furthermore, they explained that leaders and managers with transformational leadership style concentrate on the growth and development of value system of employees, their inspirational level and moralities with the preamble of their abilities. McKinnon-Russell (2015) indicated that Burn (1978) addressed the transformative concepts of leadership were based on three descriptions of the theory, namely, power, purpose, and relation. She further explains that transformative leaders use power to improve their communication with followers, have the desire to help followers reach new personal and professional heights, and finally, leaders focus on developing a highly motivated relation with their followers.
In the view of Bass and Avolio (1994), transformative leadership occurs when a leader upholds the interest of employees, and the followers tend to bond and express self-interest for the organization after they accept and generate awareness for the purpose of organization. Therefore, once the mindset and way of thinking is transformed by leaders, the followers/employees tend to uphold their interests and organization performance high. Therefore, this increases their efforts and willingness to perform in their organization. According to a case study by Ojokuku et al. (2012) on the impact of leadership and organizational performance on Nigerian banks, the leadership style dimension jointly predicts organizational performance with over 29% variance of performance. They further conclude that transformational leadership style should be employed by bank management in a globally competitive environment (Edoka, 2012).

**Transactional Leadership**

On the other hand, transactional style of leadership differs from both transformational and laissez-faire. Wamy and Swamy (2014) explained transactional leadership as the style of leadership which focuses on meeting specific goals or performance criteria. Timothy et al. (2011) also explained transactional leadership as “an exchange process that results in follower compliance with leader request but not likely to generate enthusiasm and commitment to task objective”. They further clarified that the leaders’ main focus is on internal actors’ ability to perform the task required for the organization to reach its objectives by giving a clear path to goal attainment. The follower or subordinate will avoid or remove any potential barrier within the system.

The style emphasizes more about ‘trade’ by which followers or actors are given directives and specific tasks. Transactional leadership mainly occurs in business-oriented organizations and plays a role of exchange between subordinates and managers in which leaders motivate their subordinates through contingent rewards, corrective actions, and rule enforcement. Bernard and Bruce (1994) clarified that the contingent reinforcement can occur either in positive or in negative forms. Transactional leaders tend to motivate followers in organizations through the exchange, rewards or preference for task accomplishment (Wamy & Swamy, 2014). According to studies conducted by Kahai et al. (2003) group effect was higher under the transactional leadership, its emphasis on job completion and employee compliance, and these leaders rely quite heavily on organizational rewards and punishments to influence employee performance.

![Figure 1. Transformational leadership](image)

**Laissez-Faire Leadership**

Laissez-faire style of leadership is referred to the least effective style of leadership in which leaders or managers try to avoid any interference with the subordinates. Such a leadership permits leaders to avoid any responsibilities, communication and to some extent even give directives and orders. The followers and subordinates are not satisfied with this style of leadership, production is low, and employee satisfaction is low thus, affecting the entire organizational performance (Khan & Adnan, 2014; Bernard & Bruce, 1993). According to Khan and Adnan (2014), laissez-faire style of leadership is categorized a negative style of leadership, which results from the lack of interference of leaders in any important decision making of the organization and they show no sense of responsibility and concerns. Thus, employees are left out to find a solution and make decisions on the basis of their preferred desires (Abbas & Asghar, 2010).

Laissez-faire leadership style lacks supervision and influence on subordinates from leaders, as they indulge themselves from any situation that threatens or confronts them and therefore, the responsibilities are shifted to employees. The
leaders' main objective for this pattern of avoidance is to make good relations with everyone since the ultimate freedom is granted by the leader (Khan & Adnan, 2014).

Given that leadership is the ability to drive or influence others to achieve a desired goal or objective, one can argue that leadership or process of influence is of less value in organizational context if the desired objective of influence is deemed unsuccessful, meaning that leadership is all about achieving objectives. In the global village of competition and changing environments, organizations are required to have a different style of leadership which enables them to adapt to changing dynamics of businesses and operations and leaders who can maneuver through a rapid change of globalization and maintain internal focus by enabling people and organizations to adapt and be successful. Koeh and Namusonge (2012) mentioned the effect of leadership on organizational performance that the appropriate measurement outcome from leadership quality is effectiveness (reflecting the leader's efficiency in achieving organizational outcomes, objectives, goals, and subordinates’ needs in their job).” Thus, the measure of organizational performance in the current study represented the degree to which a company achieved its business objectives. The research model is as follows:

![Figure 2. Research Model showing the effect of Leadership Styles on Organizational Performance](image)

**LEADERSHIP BEHAVIORS**

In order to understand global leadership behaviors, it is necessary to understand leadership as a concept. According to Wamy and Swamy (2014), leadership refers to a social influence process in which the leader seeks the voluntary participation of subordinates to reach organizational goals, while a leader is a person who delegates or infects others to act and carry out specified objectives. Yukl (2006) mentioned leadership as the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives. Furthermore, leadership can be defined as a process of social influence, which maximizes the efforts of others, towards the achievement of a goal.

**Leadership as a Universal Phenomenon**

Researchers of GLOBE (Global Leadership and Organizational Behavior Effectiveness) expressed that leadership as a concept can be both universal and culturally contingent, while others scholars maintained that leadership is universal, irrespective of culture. They further explained that globalization and increase in standardization boost cultural congruence, given that situations, such as technology, strategic competence, and organizational size are likely to have a direct impact on leadership than culture (Bass & Avolio, 1994). Leadership is a universal phenomenon, indicating that leaders perform basic social functions and that people in complex organizations have an inherent interest in creating leaders.

**Global Leadership**

The phenomenon of universal leadership is often easily taken as a global leadership. However, the reverse is the case. The definition of global leadership is complex, as scholars often categorize concepts into multiple aspects, e.g., what it takes to become a global leader, global mindset, skills of global leadership, while others continue with the roles leaders and managers play in global organizations.

In order to global leadership, it is necessary to examine a global leader. Global Leaders are individuals who cause effective, significant, and positive organizational changes by building communities through the development of trust and
the arrangement of organizations, structures, and process in the context involving multiple cross-boundary stakeholders, multiple sources of external cross-boundary authorities, and multiple cultures under conditions of temporal, geographical, and cultural complexity. Holt and Seki (2012) further defined global leaders as individuals who operate in a context of multicultural and paradoxical complexity to achieve results in the world, regarding the entitlement of everyone for the use of global leadership skills (Mendenhall, 2008). It also defined global leadership as the process of influencing the style of thinking, attitudes, and behaviors of other people with different cultural backgrounds from around the world (Dekker, 2012).

Leadership Behaviors

There have been series of extensive theories clarifying leadership that give emphasis on the behavioral approach of leadership by scholars, such as Bass (1985). Holloway (2012) explained that leaders’ behaviors are a display of mannerisms that convey the organizational expectations and values that set the tone for the organizational climate. Moreover, scholars like Yukl (2006) indicated that researchers have focused more on conducting research on leadership behavior than other aspects of leadership, such as how leaders manage their daily activates, while other focus on identifying effective leadership behaviors. According to Farris (1988), there are two types of leadership behaviors, namely, the task-oriented behavior and the relation-oriented behavior (Holloway, 2012).

Task-Oriented Leadership Behavior

According to Holloway (2012), a task-oriented leader’s main concern is about goal attainment. He established a system which helps employees to accomplish goals through role definition, goal establishment, evaluations, directions, and time limit. Furthermore, they show to their employees that these goals can be achieved by communicating through a one-way method. Thus, they clarify what needs to be done, how it can be done, and who is responsible for it. Northhouse (2010) explained that task-oriented leaders plan, coordinate, and schedule task-related activities by providing employees with the necessary material, tools, equipment, motivation, technical assistance, and supplies.

Relation-Oriented Leadership Behaviors

Relation-oriented leaders are different from task-oriented leaders. On this side of the spectrum, relation-oriented leaders tend to focus more on developing a close relationship with their employees. They establish an interpersonal relationship that enables them to develop a two-way communication system to indicate emotional and social support. Consequently, employees feel comfortable about themselves and their working environment. Relation-oriented leaders tend to develop their employees’ careers by giving autonomy of work and enough information to carry out their tasks (Holloway, 2012; Kranenburg, 2013).

According to Yukl (2006), this behavior style of leadership includes developing behaviors, supporting behaviors, and recognizing behaviors. He further explained that developing behaviors help provide potential benefits to new and inexperienced employees. Supporting behaviors provide confidence concern and acceptance of their employees and finally recognizing behaviors show praise and appreciation to others for effective performances, significant achievements, and important contributions to the organization (Holloway, 2012). According to McCharthy (2010), behaviors are essential for leading in a multinational environment.

Performance

The definition of performance is one of the most flexible concepts, as everyone defines concepts as they best suit them. Performance can be defined as the result of any organizational activities over a given period. It can refer to anything from efficiency to return on investment. However, performance can be also defined in his article as being more about the future of the organization and not much about the past. Otley (2001) further defined performance from a business context and from the perspectives of the three "Es": effectiveness, efficiency, and economy. He clarifies that in order to be a pre-format, a business should be able to deliver the expected results, purchase inputs as cheap as possible, and utilize a few of those inputs.

Multinational Companies

According to the business dictionary, multinational companies are “any enterprise operating in several countries but managed from one (home) country”. Generally, any company that drives a quarter of its revenue from operations outside its home country is considered a multinational corporation.
CONCLUSION
In a nutshell, this paper focused on the different styles and behaviors of global leaders in multinational organizations, namely, transformative, transactional, and laissez-faire. The finding of the paper indicated that leadership styles are categorized under two major behaviors, namely, task-oriented behavior and relation-oriented behavior. The results indicated that there is a significant relation between leadership behavior and organizational performance. As such, leaders with transformative style and behavior are considered to be the most effective global leaders with a vision and motive to help their employees and followers and increase their efficiency, resulting in the overall increase of organizational performance. While transactional using contingent rewards in terms of rewards (i.e., promotion and raise in salaries/wages) and punishment to motivate and gain followers’ attention to achieve their goals. Laissez-faire style of leadership has a less significant relation to organizational performance due to avoidance leadership by the organizational leader.

REFERENCES
Abbas, W., & Asghar, I. (2010). The role of leadership in organizational change: Relating the Successful Organizational change to Visionary and Innovative Leadership (Degree of Masters). University of GAVLE.


Kranenburg, D. (2013). The effect of organizational culture and leadership style on organizational commitment within SMEs in Suriname, with job satisfaction as a mediator (Degree of Master). Maastricht School of Management.


