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## **LEADERSHIP BEHAVIOR AND ORGANIZATIONAL SOCIAL CAPITAL IN NORTH WEST REGION OF ETHIOPIAN ELECTRIC POWER CORPORATION: A STUDY OF AMHARA REGIONAL STATE**

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### **ABSTRACT**

This study aims to examine the relationship between leadership behavior and organizational social capital in the study area. First, five zones were clustered and three zones were selected through simple random sample. To investigate the relationship between the two constructs, the researcher employed Pearson's correlation analysis method. All study samples (359) were planned to collect out of 860 employees. However, only 347 questionnaires were distributed, finally, after all the screening process and the elimination of outliers, only 207 questionnaires were used to analyze the data. The data was analysis through SPSS version 21 and the goodness of fit of the model was tested by using AMOS software. The literature suggest that the value greater than 0.90 exhibits a good fit for the model so that for this study i.e., comparative fit index , Normed Fit Index, Relative Fit Index, Incremental Fit Index and Tucker-Lewis index was applied. All fit indexes shows a good fit which shows beyond .90. The confirmatory factor analysis result revealed that transactional leadership has significant relationship with social capital but not to transformational leadership. The Pearson product moment result revealed that transformational and transactional leaderships shows, a weak, but statistically significant relationship with organizational social capital ( $r=.335, p<.01; r=.274, p<.01$ ) respectively.

**Keyword:** Transformational Leadership, Transactional Leadership, Organizational Social Capital

### **INTRODUCTION**

Now days, organizations are operating and become successful because of their own material, financial, human and information resources, however, it is difficult to think without employee social capital. Social capital relates with inter-relationships, exchanging valuable information between stakeholders, trust between members, understanding each other, shared common goals and so on. Social Capital increases the availability of resources like information, technology, knowledge, financial capital, distribution networks, and relationships with critical communities, which may have their own impact on the productivity of the firm (Rothaermel, 2001).

Social capital is a newly emerging concept which is extensively used in sociology, economics and recently in the discipline of management science.

At the organizational level, social capital is used to illustrate both the collective form and character of relationships among organizational parties (Leana & Van Buren, 1999). According to Leana & Van Burn (1999), both the organization and employees are benefited from organizational social capital in the sense that OSC has benefited an organization through value creation and its members have benefited from it through improving employee skills and knowledge. The effective function and operation of an organization is also facilitated by social capital (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998).

#### **Social Capital Dimensions**

Scholars in different times identified different types of social capital dimensions due to the diverse and inconsistent nature of its definition. According to Coleman, social capital has three forms; these are (1) obligations, expectations, and trustworthiness (individuals can depend on each other); (2) information channels (individuals can obtain information from each other); and (3) norms and effective sanctions (individuals are expected to act in the interests of the group or collective) (Coleman, 1988). Leana and Van Buren (1999) also visualized social capital as (1) associability (willingness of network members to

## **Research Article**

subordinate individual interests for the good of the collective) and (2) trust (willingness of members to be vulnerable). Koka and Prescott (2002) have identified three forms of social capital dimensions such as information volume, information diversity, and information richness. Leana and Pil (2006) identified internal and external social capital. The three interrelated components of social capital are well expressed in Nahapiet and Ghoshal (1998). These are cognition dimension (shared goals and values among actors), relational dimension (trust among actors), and structural dimension (connection among actors).

For this study purpose Nahapiet and Ghoshal's social capital framework have used through formulating some specific hypothesis in order to address the developed objectives. In addition, other researchers like Leana and Pil have used Nahapiet and Ghoshal's social capital scales through making some modifications according to their context. The modification continues also in this study.

**Relational Dimension (Trust among Actors):** "The relational component of social capital refers to the trust associated with the relationships in the network (King, 2004)". Trust is the most important central element in social capital (Bowles and Gintis, 2002). According to Leana and Van Buren (1999) trust is an essential element for people to work together on common projects. If individual's relationship is full of trust, they can achieve a common goal and bring their values in to their organization (Tsai and Ghosal, 1998).

**Structural Social Capital (Information Flow):** It is related with the overall relationship between people within an organization. This relationship goes to the extent of members linked in an organization and knows each other (this dimension answers the question "do employees know each other?"

**Cognition Dimension (Shared Goals or Communication, Shared Vision):** The cognitive dimension concerns the extent to which employees within a social network share a common viewpoint or understanding. It is possible to gain common understanding about this issue among the workforce through generating familiar and common language (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998).

From these three major dimensions of social capital one could see its role in organizations. The life of organizations are continued, smoothed and maintained through Social capital, and it may be improved through effective leadership development not only boost the effectiveness of individuals, but it serves as to bridge smooth relationships, coordinates activities, and elongate and support the social network (Roberts, 2013). Although social capital is one of the crucial resources in any organization but it is difficult to realized without the involvement of effective leadership.

One of the contemporary issues raised in today's complex organizations is a matter of effective leadership particularly transactional and transformational leadership which plays a significant role to create shared goals among actors, to share information between organization members and to create trust among individuals that can enable to achieve a pre-determined goal in any given organization. Let's see the most important leadership styles currently attract many of the research scholars.

### **Transactional Theories:**

Transactional theories, also known as management theories, emphasizes on the role of control, organization and group performance. The base of this leadership theory is punishment and reward system. When an individual has performed his or her tasks very well, then that individual can benefited in the form of reward and if the opposite has happened punishment arises (Bass and Riggio, 2006). To make the concept of transactional leadership more clear, let's see its components.

### **Components of Transactional Leadership**

Bass *et al.*, (1999) have developed the elements of transactional leadership side by side with transformational leadership.

**Contingent Reward**—Bass and Riggio (2006) described contingent reward leadership which involves the leader giving /assigning/ or acquiring follower conformity on what requirements to be done with certainly or genuine rewards provided in exchange for adequately performing the given task.

**Active Management-by-Exception**—Focuses on controlling task implementation for any obstacles that might happen and avoiding or correcting those problems to preserve the existing performance; or leaders detect the performance of their employees and providing correction to their errors (Bass, 1991) and

**Passive-Avoidant Leadership**—Tends to give response only when the problem has become serious. These

## **Research Article**

leaders are looking for problems to occur, delayed to respond to errors, etc.

According to Yammarino and Bass (1988) this leadership style has its own contributions to the organization through its ways of a working procedure; however, it may fail for different reasons. Because of the limitation of resources in the department or enterprises, the transactional leader may be incapable to offer rewards proportionate with what subordinates, poor performance appraisal systems, lack of appropriate time, and inefficient skill on the leader side to apply positive reinforcement mechanisms. Therefore, it is necessary to implement other type leadership which is better than it, i.e., transformational leadership.

### ***Transformational or Relationship Theories:***

Bass and Riggio (2006) elaborate transformational leaders stimulate others to do more than they initially anticipated. They try to set extra demanding expectations and accomplish higher performances. According to Pawar and Eastman (1997), “a transformational leader establishes a dynamic organizational vision frequently required creating innovation.” The following are indicators or sub-dimensions of transformational leadership which might make clear the concept.

### ***Components of Transformational Leadership***

Antonakis *et al.*, (2003) recommended five components of transformational leadership. These are the following:

(a) Idealized Influence (Attributed): “Refers to the socialize charisma of the leader, whether the leader is perceived as being confident and powerful, and whether the leader is viewed as focusing on higher-order ideals and ethics;” (b) Idealized Influence (Behavior): This is related charismatic behavior of leaders emphasizing to values, beliefs, and a sense of mission to their organization (c) Inspirational motivation refers leaders behave to boost their followers by stating the work of tomorrow is full of bright, infighting an idealized vision, and communicating them visions are achievable; (d) Intellectual stimulation implies that leaders stimulate their followers to become creative and to generate solutions to complex problems; and (e) Individualized consideration is the degree to which leaders pay attention to the needs of the followers, providing different opportunities like coaching, training, and developing them in order to satisfy each individual needs.

### ***Relationship between Leadership and Social Capital***

Recently, many scholars argued that leadership plays a significant role in the development of social capital (Bedin and Corona, 2007), through solving the existed and newly created problems, coordinate activities through uniting individuals which enhances social capital. According to Bass and Riggio (2006) transformational leaders try to set extra demanding expectations and accomplish higher performances. This leader provide priority to their organization, they keep group and individual interest in so doing increasing social capital in organizations (Heydari & Shahriari, 2015). On the other hand, Purdue (2001) stated that the “theory of transactional leadership, like that of social capital, places trust, embodied in social transactions, at the centre of its model and stresses the importance of social networks. Leadership in social networks involves maintaining a flow of transactions with the community. Thus, leaders are those who place themselves in key points in the networks that channel information or build the networks up around themselves.”

Numerous studies have conducted on the relationship between leadership (transformational and transactional) and some attitudes like job commitment, motivation, turnover intention (Keskes, 2014; Dale & Fox, 2008; Brooks, 2009; Long, 2012; Belias & Koustelios (2014). However, to date little is known about the relationship between leadership and social capital. For instance, Ashrafi and Cheraghmakani (2013) studied in Iran suggested that transformational leadership has significant relationship with social capital.

Seyed Danish *et al.*, (2012) also confirmed that transformational leadership (with its sub-components such as idealistic power, inspiring incitement, "intellectual persuasion and personal considerations) has a high relationship or a direct and significant relationship with organizational social capital in Sari's hospitals. Even though this few attempts were done in several foreign scholars undertaken in their home countries, a single study was not conducted in the Ethiopian context.

## **Research Article**

Therefore, it is most appropriate to study on the relationship between leadership and organizational social capital in Ethiopian Electric Power Corporation in which no one studied there.

### **Objective of the Study**

The main objective of this study was to examine the relationship between leadership styles (transformational and transactional) and organizational social capital.

### **Specific Objectives**

To identify the relationship between transformational leadership behavior (with its components) and organizational social capital.

To identify the relationship between transactional leadership (with its components) and organizational social capital.

### **Hypothesis**

There is a significant relationship between transformational leadership and social capital.

There is a significant relationship between components of transformational leadership and social capital.

There is a significant relationship between transactional leadership and social capital.

There is a significant relationship between components of transactional leadership and social capital.

### **Study Design**

In view of the relational point of reference, an appropriate design was explanatory which is part of co-relational study design. A co-relational design handles all participants of the study in the same manner; it is not like experimental designs in which sample groups are treated differently (Creswell, 2003).

### **Population, and Sample Size**

#### *a) Population*

The total population of study was 860 employees of the Ethiopian Electric power corporation from five zones of North West region of Amhara regional state.

#### *b) Sample Size*

To select final respondents Cohen *et al.*, (2000) sample size determination technique (it is a table) was applied. Accordingly, the final respondents of this study were 278. Since the amount of samples in those three zones was larger than the determined sample size which was 278, this study was considered all 359 employees according to Sakaran and Bougie (2010) recommendation. Sekaran and Bougie (2010) recommended that the target population was divided into clusters and after that a random sample of clusters were drawn and for each selected cluster all the elements or a sample of elements were included in the sample. That is why all the elements within a cluster are taken into account in this study.

Out of these total employees in the three selected areas 12 (3.33%) of the respondents were excluded from the study because they were involuntary to fill the questionnaire. The remaining 347 individual workers were the major participants of the study and this much amount of questionnaire was distributed. Out of these (347 questionnaires) the response rate was 245(70.6%). The remaining 102 (29.4%) was either wrongly filled or unreturned. Finally, all the necessary filtration of the data including sorting out of outliers, finally, 207 usable questionnaires were used to analysis the data.

### **Instrumentation**

#### *Reliability of MLQ and Organizational Social Capital (OSC)*

The many version of Multifactor Leadership Questionnaire (MLQ) has been improved and tested since 1985. It is originated from the Full Range Leadership Model which encompasses of transformational, transactional, and laissez-faire leadership behaviors with nine subscales of leadership style (Bass & Avolio, 1995; cited in Bass *et al.*, 2003).

Greiman (2009) conceptualized from Avolio and Bass (2004) that MLQ version have been used in more than 30 countries including United States which implies that the MLQ conversion have been done in various languages around the world. The MLQ-5X questionnaire a 5-point Likert scale which scored 0= Not at all, 1= Once in a while 2= Sometimes 3= Fairly often 4= Frequently, if not. It measures the five subscales of transformational leadership style (idealized influence/attributed, idealized influence behavior, inspirational motivation, intellectual stimulation, and individualized consideration), three subscales of transactional leadership style (contingent reward, active management-by-exception, passive

## **Research Article**

management-by-exception). For this study purpose, the instrument was employed on the basis of the above scholars.

The other variables of this study were the organizational social capital which integrates three major dimensions namely relational, structural and cognitive dimensions.

Structural (connections among actors or information sharing); relational (trust among actors); and cognitive (shared goals and values among actors) (Nahapiet and Ghoshal, 1998). All dimensions have used a five-point Likert scale (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, and 5: Strongly Agree) so that respondents were asked whether they have agreed on the given statement or not. Questionnaire on the OSC was taken from those developed by previous researchers; even though the base of their scale was Nahapiet and Ghoshal (1998). Structural and relational social capital scales was modified and taken from Leana and Pil (2006) which was originally developed by Hyatt and Ruddy (1997). The structural social capital was customized in to information sharing in this study and was measured by using five items with alpha values .89.

In the case of relational dimension, trust is one of the basic sub dimensions modified under it and it's Cronbach's alpha was 0.88 according to Leana and Pil (2006). It has six items in it. George and Mallory (2003) put a rule of thumb for the Cronbach's alpha reliability coefficient, i.e., .7, .8 and .9 are good, acceptable and excellent respectively, where as  $> .6$  was questionable but  $>.5$  was poor and  $< .5$  unacceptable.

In order to ensure the instruments reliability of this research, a pilot test was conducted before the commencement of the final survey. Through considering of twenty employees taken from the study area, the instrument was tested its content validity of the questionnaire as well as its reliability. The whole questionnaire was tested by using Cronbach's alpha. According to Cronbach's alpha result, transformational and transactional factors respectively were .801 and .722 and the social capital (.952) and its dimensions such as Trust, information and cognitive respectively were .899, 943 and .807.

### **Method of Data Analysis**

After collecting the necessary data, the researcher employed statistical techniques to analyze the already collected data since the nature of this study was quantitative. Using SPSS (version 21.0) the researcher carried out inferential statistics. To implement inferential statistics, the researcher used confirmatory factor analysis (CFA) & Pearson's Product Moment Correlation which was essential to test the developed hypothesis.

### **Confirmatory Factor Analysis (CFA)**

The purpose of CFA was to validate the constructs, and the evaluation of measurement invariance (Moore, 2012). CFA allows researchers to test hypotheses about a particular factor structure. CFA also allows to produces many goodness-of-fit measures to evaluate the hypothesis model (Albright and Park, 2009). For this study, CFA was performed for the purpose of testing the major hypothesis such as the relationship between transformational and transactional leadership to OSC. In addition, CFA was also applied to measure the goodness of fit of the model of this data.

### **Model Fit**

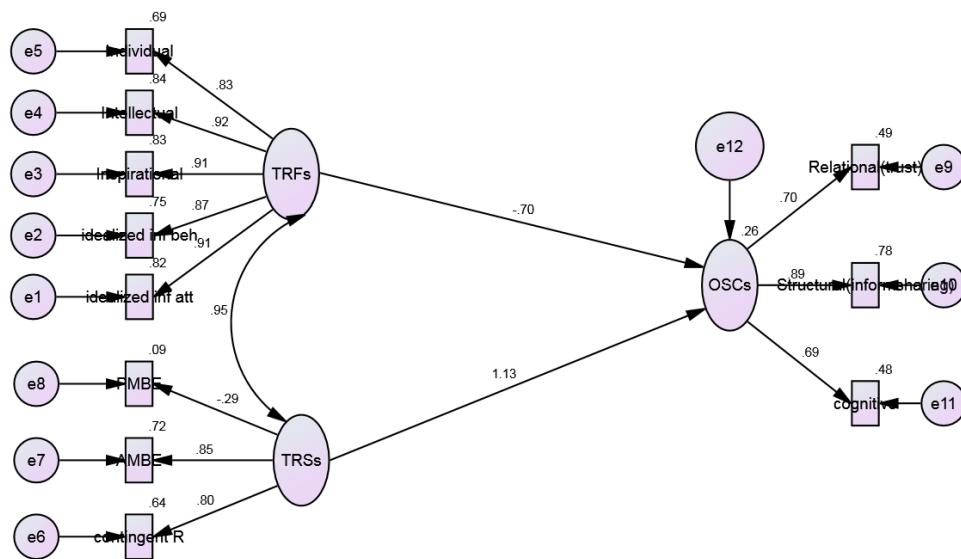
In addition, Structural Equation Modeling (SEM) in which much of the popularity of SEM according to Cunningham and Wang (2005) lies in the ease with which more recent derivations of computer programs such as AMOS which is a multivariate statistical analysis technique, was applied to explore the relationship between the eight dimensions of leadership behavior (five dimension for transformational and three dimension for transactional); and the three dimensions for organizational social capital.

To assess the general model fit, the chi-square value ( $\chi^2$ ) was employed. The Chi-square ratio is equal to the chi-square value divided by the degree of freedom ( $\chi^2 / df$ ). The acceptable fit value of Chi-square ratios" less than 2 is considered "very good," and between 2 and 5 is acceptable (Hair *et al.*, 2010). Similarly, comparative fit index (CFI), Goodness-of-fit index (GFI), the root mean square error of approximation (RMSEA), and Tucker-Lewis index (TLI). The CFI, and TLI value equal or exceed 0.90, and RMSEA values below 0.08 indicates a good fit for the model (Byrne, 2001; Vandenberg and Lance, 2000).

Research Article

## RESULTS AND DISCUSSION

As stated in the methodological part, confirmatory factor analysis was employed in order to validate the measurement model of leadership styles and organizational social capital. Bearing in mind first the indicators of transformational leadership, they are .91 for attributed idealized influence, .87 for idealized influence (behavior), .91 for inspirational motivation, .92 for intellectual stimulation and .83 for individual consideration. In view of the indicators of transactional leadership, the standardized loadings are .80 for contingent reward, .85 for AMBE, and -.29 for PMBE (which is approached to the minimum cutoff value). On the basis of standardized factor loadings idealized influence affection has the highest standardized factor loading (.92); which appears to be a strong reliable indicator of transformational leadership. The leadership indicators were significant association which means that their factor loadings were exceeded the  $> 0.30$  level which satisfies the minimum cutoff value (Hair *et al.*, 2006; as cited in Mahembe and Engelbrecht, 2013). On the other hand, bearing in mind the indicators of OSC, the standardized loadings are .70 for relational (trust), .89 for information sharing (structural), and .69 for cognitive social capital. On the basis of standardized factor loadings structural (information sharing) has the highest standardized factor loading .89; which appears to be a reliable indicator of Organizational social capital (see figure 1).



*Goodness Fit Index of the General Model: Chi-square = 65.898; Degrees of freedom = 41; Probability level = .008; chi-square/Df=65.898/41=1.607; CFI=.985, NFI=.961, RFI=.948, IFI .985, TLI= .980, RMSEA=.0054, HOELTER 179 at .05 and 204 at .01*

**Figure 1: Regression Weight of the Two Constructors**

## ***Testing the Hypothesis: Structural Equation Modeling***

Structural Equation Modeling with Amos 21 was used to test the goodness fit index of the total model of the study. Chi-square ratio, CFI, NFI, RFI, IFI, TLI, RMSEA are the major evaluating methods of the given data. Accordingly, the first test to evaluate the model's fit was chi-square test. In the model (chi-square ratio=65.898/41=1.607.), this value denotes that this model fulfill the minimum acceptable value found in the literature. Furthermore, the value of CFI, NFI, RFI, IFI, and TLI should be closer to 1 to the

## Research Article

fit as indicated in the methodological part. The fit of all these are greater than 0.90. In this instance the value of CFI, NFI, RFI, IFI and TLI respectively was .985, .961, .948, .985, & .980. An adequate fit of RMSEA was also less than .08. In this case, the RMSEA value of this model was .054. From this one could see that all measurement indexes shows beyond the cut off point value, which means that the model has very well fitted with the data. HOELTER also shows the sample size adequacy of the data and it suggests that 179 samples was adequate at .05 significant level and 204 was also sufficient at .01 significant level.

### Structural Relationship between Leadership and OSC

The measurement model of leadership styles & social capital was examined its critical ratios (C.R.) in order to identify whether the latent variable shows a significant and insignificant relationships to its indicators. The critical ratios (C.R.) which were higher than 1.96 or less than -1.96, of the latent variables (both TRF and TRS) and indicator variables (idealized influence (attributed), idealized influence (behavior), inspirational Motivation, intellectual stimulation, individual consideration; Contingent reward, AMBE and PMBE) were statistically significant at the .05 level. Likewise, critical ratio (CR) higher than 1.96 and lower than -1.96 of the latent & indicator variables (i.e., trust, information sharing & cognitive social capital) shows statistically significant at .05 levels.

**Table1: Regression Weight of the Model**

			Estimate	S.E.	C.R.	P	Label
OSCs	<---	TRFs	-.559	.493	-1.134	.257	
OSCs	<---	TRSs	1.297	.734	1.768	.077	
attidealinf	<---	TRFs	1.000				
idealizedinflecebeh	<---	TRFs	1.621	.086	18.812	***	
inspirational	<---	TRFs	1.001	.047	21.332	***	
Intellectual	<---	TRFs	.948	.044	21.581	***	
Individual	<---	TRFs	.820	.048	17.096	***	
contingent	<---	TRSs	1.000				
AMBE	<---	TRSs	1.246	.090	13.779	***	
PMBE	<---	TRSs	-.487	.118	-4.116	***	
Trust	<---	OSCs	1.000				
informationsharing	<---	OSCs	1.312	.143	9.185	***	
Cognitive	<---	OSCs	.610	.070	8.720	***	

Source: own survey, 2016

Table 1 presents the relationship between leadership styles (transformational & transactional) and organizational social capital. The CFA (Confirmatory Factor Analysis) confirms that the structural relationship between transformational and transactional leadership with social capital was not statistically significant (CR=-1.134, p>.05 and 1.768, p>.05)

### Co-relational Analysis of Transformational Leadership Components with Social Capital:

The Pearson r for the relationship between attributed idealized influence ( $r=.311$ ,  $p<.01$ ), idealized influence behavior ( $r=.321$ ,  $p<.01$ ), inspirational motivation ( $r=.320$ ,  $p<.01$ ), intellectual stimulation ( $r=.331$ ,  $p<.01$ ), individual consideration ( $r=.222$ ,  $p<.01$ ) with that of organizational social capital was statistically significant, which is at 99% confidence level. This implies that when managers of an organization adopted these transformational leadership components then its social capital might be promoted. For instance, when employee's of a corporation might be inspired and motivated (inspirational motivation) by their manager, the probability of applying their social capital also increases. Similarly,

### **Research Article**

when managers of that organization increases the treatment of individuals or providing training and development in their carrier, in turn, their trust among each other, the flow of information sharing and their common understanding between themselves becomes increases.

A study conducted by Seyed Danesh *et al.*, (2012) was support the finding of the current study. It illustrates that the components of transformational leadership was a direct relationship with social capital. Ashrafi and Cheraghmakani (2013) also found that transformational leadership components such as inspirational motivation and social capital positively and significantly correlated ( $r=685$ , p-value 0.000); idealized influence behavior ( $r=.703$ ), inspirational motivation ( $r=685$ , p-value 0.000); intellectual inspiration ( $r=.686$  at significance level of .000); individual consideration ( $r=.688$ , p-value .000). Nazem and Gheytasi (2014) similarly supports this finding i.e., transformational leadership has a positive and significant link with organizational social capital. Ashrafi *et al.*, (2014) further confirmed that transformational leadership has significant relationship with social capital.

**Table 2: Correlation between Components of Transformational Leadership and OSC**

Constructs	Social Capital	
Attributed Idealized Influence	Pearson Correlation	.311**
	Sig. (2-tailed)	.000
Idealized Influence (Behavior)	Pearson Correlation	.321**
	Sig. (2-tailed)	.000
Inspirational Motivation	Pearson Correlation	.320**
	Sig. (2-tailed)	.000
Intellectual Stimulation	Pearson Correlation	.331**
	Sig. (2-tailed)	.000
Individual Consideration	Pearson Correlation	.222**
	Sig. (2-tailed)	.001
Transformational Leadership	Pearson Correlation	.335**
	Sig. (2-tailed)	.000
Social Capital	Pearson Correlation	1
	Sig. (2-tailed)	

Source: own survey, 2015

### **Correlation of Transactional Leadership (with its Components) and Social Capital**

Table 3 confirmed that there is a significant relationship between transactional leadership and social capital ( $r=.274$ ,  $p<.01$ ), which indicates that the two variables are statistically significant relationship at 99% confidence level.

The finding also shows that there is a significant relationship between contingent reward, and AMBE, with social capital ( $r=.331$ ,  $p<.01$ ;  $r=.347$ ,  $p<.01$ ; respectively. In the case of PMBE to social capital their relationship was not significant ( $r=-.115$ ,  $p>.05$ ), indicating that when PMBE increases so that social capital decreases and vice versa.

This finding suggests that there is a significant relationship exists between these sub-components of the transactional leadership and social capital except PMBE. This shows that when transactional leaders have improves their leadership styles, then employee's social capital i.e., their trust each other, sharing of information between them and common understanding each other might also be increased. This study was in accordance with (Nazem and Gheytasi, 2014) indicated that transactional leadership has a direct association with organizational social capital.

### Research Article

**Table 4: Transactional Leadership (with its Sub-Components) and OSC**

		<b>Social capital</b>
Contingent Reward	Pearson Correlation	.331**
	Sig. (2-tailed)	.000
AMBE	Pearson Correlation	.347**
	Sig. (2-tailed)	.000
PMBE	Pearson Correlation	-.115
	Sig. (2-tailed)	.098
Transactional Leadership	Pearson Correlation	.274**
	Sig. (2-tailed)	.000
Social Capital	Pearson Correlation	1
	Sig. (2-tailed)	

Source: own survey, 2015

### Conclusion and Suggestion

The present study investigated the relationship between leadership behavior and organizational social capital of North West region of Amhara regional state of Ethiopian Electric Power Corporation.

The study finding illustrates that all aspects of leadership styles and social capital has a significant relationship. The confirmatory factor analysis of this study confirms that the structural relationship between transformational leadership and organizational social capital was not statistically significant ( $CR=-1.323$ ,  $p=.186$ ).

However, transactional leadership has positive relationship with organizational social capital ( $C.R.=2.447$ ,  $p=.014$ ). CR value greater than 1.96 indicates there is a relationship between constructs and a value less than 1.96 indicated no relationship. The Pearson's product moment result also revealed that the relationship between transformational leadership styles (with its sub components) and social capital was statistically significant (i.e., the components of transformational leadership like attributed idealized influence, idealized influence behavior, inspirational motivation, intellectual stimulation and individual consideration at  $r=.311$ ,  $r=.321$ ,  $r=.320$ ,  $r=.331$  with  $p<.01$ , and  $r=.222$  with  $P<.01$ , indicating that the more attributed idealized influence, idealized influence behavior, inspirational motivation, intellectual stimulation and individual considerations are applied in the organization, the more the social capital observed. For instance, when leaders of an organization inspired or motivated their employees, their trust among each other or information sharing or understanding issues commonly becomes increased/improved or when leaders of an organization considers their employee's needs, aspirations, their growth; it may increase employee's social capital in the organization. Similarly, the relationship between transactional leadership components such as contingent reward, AMBE and social capital was statistically significant at  $r=.331$ ,  $r=.347$  with  $p<.01$ ; except PMBE,  $r=-.115$  with  $p>.05$ ).

The researcher suggested that the correlation among these constructs are very weak, suggesting that all the components of transformational leadership could not as such strongly promote the increment of social capital. Therefore, leaders of the organization will increase their level of idealized influence (both attributed and behavior), inspirational motivation, intellectual stimulation, and individual considerations. This may create good social capital in the organization that establishes good trusting, information flow and common understanding between employees.

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