

## ASSESSING THE EFFECTS OF LEADERSHIP STYLES ON EMPLOYEES' OUTCOMES IN INTERNATIONAL HOTELS

**Teresa Aguiar Quintana**

**teresa.aguiar@ulpgc.es**

**Yasmina Araujo Cabrera**

**yasmina.araujo@ulpgc.es**

### **Abstract**

This study examines the effects of transformational, transactional, and non-transactional leadership on hotel employees' outcomes including extra effort, perceived efficiency, and satisfaction with managers. Employees from eleven 4-star hotels in Spain provided the collected data. A series of statistical analyses (1) identify the elements of three leadership styles using a multi-factor leadership questionnaire (MLQ-5X), and (2) examine the effect of leadership styles on employees' outcomes. The results of this study indicate that "idealized attributes" of transformational leadership and "contingent reward" from transactional leadership are the most important factors that positively affect all three outcomes (i.e., extra effort, perceived efficiency and satisfaction). Other than these two elements, the significant factors indicating positive or negative relationships vary depending on the types of individual outcomes. The discussion sections indicate theoretical and practical implications of the findings.

**Keywords:** *Transformational Leadership, Transactional Leadership, Employee Extra-effort, Employee Satisfaction with the leader, and Leader Effectiveness*

<sup>1</sup> Profesora contratada doctora de la Universidad de Las Palmas de Gran Canaria, responsable de comunicación del TIDES y miembro del grupo de investigación ECOMÁS en la división de marketing turístico y enfocada al marketing interno.

<sup>2</sup> Profesora Titular de la Universidad de Las Palmas de Gran Canaria, investigación enfocada a la dirección de recursos humanos

## 1. Introduction

With the significant popularity of Spain (especially for Gran Canaria Island) as a tourism destination, hotels have become one of the most competitive industries in the tourism market (INE 2010). According to the World Tourism Organization, the importance of tourism to Spain is unquestionable; about 56.7 million international tourists visited Spain and generated tourism revenue of \$59.9 billion for the fiscal year, 2011 (World Tourism Organization 2012). International hotels in Spain play important roles in the service industry through providing accommodations for visitors, and being, in their own right, an attraction at the destination. However, today, hotel companies seem to be less stable and unpredictable as they increasingly face global competition, market maturity, and technological developments (Atkinson and Brander 2001; Brander and Atkinson 2001). Accordingly, managers operating an international business in an uncertain environment should obtain skills of global leadership to improve sustainable and competitive advantages (Petrick et al. 1999). Thus, this study argues that effective leadership for managers of international hotels is an important requirement to increase efficiency and profitability for managing the intense market competition due to the characteristics of tourism and hospitality industries that largely rely on motivated and quality-oriented human resources for success (Ogaard et al. 2008; Xenikou and Simosi 2006; Zopiatis and Constanti 2012).

A number of researchers in business and hospitality examined the effect of leadership styles on individual and organizational performance (e.g., Hinkin and Tracey 1994; Lockwood and Jones 1989; Tracey and Hinkin 1996; Erkutlu 2008; Patiar and Mia 2008) based on the argument that a manager's leadership style influences the work attitudes and behaviors of employees and subsequently affects organizational performance. Leaders who practice transformational leadership can not only inspire employees' motivations beyond personal interests, but also act as role models for employees (Bass 1985; Davidson 2003). Especially, some authors (see Clark et al. 2009) found that the leadership styles that engender employees' commitments induce frontline employees' behavioral changes to improve service quality (Parasuraman et al. 1985; Hartline et al. 2003).

While previous hospitality studies attempted to estimate the importance and effect of leadership styles, they mainly focused on traditional leadership (transformational/charismatic leadership) that explains only a partial aspect of total leadership. Consequently, this study suggests developing improved styles of leadership befitting characteristics of hospitality, one of main business industry. Bass and his colleagues suggested three dimensions of leadership (i.e., transformational, transactional and laissez-faire). They argued that transactional leadership is a prerequisite for effective transformational leadership, since transactional leadership facilitates the relationship between the leader and followers (Avolio 1999; Bass 1990, 1997; Bass et al. 2003). Thus, analyzing conceptual elements composing three dimensions of leadership with regard to international hotel context is important. In addition to assessing multi-leadership styles, Clark et al. (2009) suggested that service quality and satisfaction perceived by customers highly associate with the attributes/services provided by the hotel employees. This research examines the most appropriate leadership styles that affect the distinctive aspects of employees' performances (e.g., satisfaction, extra effort and effectiveness). Antonakis et al. (2003) indicated a potential variance of magnitude in the relationships between styles of leadership and the outcomes within different contexts. In particular, this study concurrently examines three leadership styles on the multifold aspects of the performance, which allows computing the relative influence of the leadership type in the Spanish hotel industry.

Therefore, the current study seeks to fill the gap in the literature of leadership with regard to hospitality based upon two research purposes: (1) to propose three leadership concepts (i.e., transformational, transactional and non-leadership) and identify elements composing each leadership's style; (2) to estimate the effects of these three styles of leadership on employees' outcomes (i.e., extra effort, effectiveness, and satisfaction) in international tourists' hotels.

## 2. Literature Review

### 2.1. Transformational, transactional, and non-transactional leadership.

Contemporary approaches to leadership have largely focused on the fundamental distinctions between *transformational* and *transactional* types of leadership. Burns (1978) proposed an in-depth explanation of these concepts of leadership more than thirty years ago, and since then, a substantial number of studies confirmed the validity and reliability of factors reflecting the styles of leadership throughout a variety of disciplines (Hinkin and Schriesheim 2008).

As one of leading scholars in the study of leadership, Bass (1985) proposed a theory of transformational leadership based upon the findings of Burns (1978). First, Bass argued that transformational and transactional leadership are not separate concepts: rather, they occupy opposite ends of a single continuum. Accordingly, he insisted that the best leaders should possess both transformational and transactional skills. Second, Bass targeted the behavior that manifests transformational and transactional leadership. For example, transformational leaders offer a purpose that transcends short-term goals and emphasizes higher-order intrinsic needs; whereas, transactional leaders highlight the proper exchange of resources (Erkutlu 2008). Additionally, Bass (1985) and Northouse (2012) suggested a non-transactional factor (or non-leadership) indicating the absence of leadership, the avoidance of intervention, which emerges as the most inactive form of leadership, referred to as *laissez-faire*. Based on these previous findings, Judge and Piccolo (2004) and Erkutlu (2008) proposed three constructs for leadership, including transformational, transactional and non-leadership dimensions, which are the basis for the current research's model.

Literature concerning organizational constructs and leadership revealed four dimensions of transformational leadership, including inspirational motivation, idealized influence (consisting of two dimensions: individualized behaviors and idealized attributes), individual consideration, and intellectual stimulation. More specifically, *inspirational motivation* focuses on the way leaders articulate a vision that appeals and inspires followers (Den Hartog et al. 1997). In other words, the leader should be optimistic and enthusiastic for the future (Judge et al. 1997). *Idealized influence* refers to behaviors emphasizing that benefits for groups are more important than benefits for an individual within high ethical norms. As such, a leader who possesses idealized influence generally becomes a role model for subordinates in an organization (Tims et al. 2011). *Individual consideration* refers to coaching, supporting, and stimulating subordinates while acknowledging followers' feelings, emotions, and needs (Den Hartog et al. 1997). Thus, leaders who practice individual consideration are likely to treat associates, on a one-to-one basis, differently but equitably. Managers not only recognize subordinates' needs and raise their perspectives but also effectively address employees' goals and challenges (Bass and Avolio 1997). The fourth facet of transformational leadership, *intellectual stimulation*, means that the leader is likely to challenge subordinates to identify and solve problems by themselves. In this way, the leader assists employees to consider, actively, important issues for the organization and in turn, encourages commitment to their occupations (Tims et al. 2011).

Transactional leaders are those who recognize the constituents of associates' satisfaction arising from their activities, and then encourage subordinates to achieve those goals by offering rewards and/or sanctions (Bass and Avolio 1997). Transactional leadership consists of three dimensions: contingent reward, active management by exception (i.e., corrective leadership), and passive management by exception (i.e., non-corrective leadership). The *contingent reward* component of transactional leadership refers to leaders' behavior that emphasizes clarifying individual/group roles and requirements for successful completion of tasks, and provides physical or psychological rewards for the fulfillment of contractual obligations (Bass 1998). Such leadership focuses on the effort-reward relationship and involves exchanges between a leader and subordinates (Walumbwa et al. 2008). In terms of *active management by exception*, leaders are likely to monitor followers' performance and institute corrective action when deviations from standards occur. In *passive management by exception*, leaders are unlikely to intervene until problems become serious (Bass 1997). Based upon the study of Howell and Avolio (1993), the difference between active and passive management by exception lies in the timing of the leader's intervention. That is, active leaders observe follower's behavior, anticipate problems, and institute corrective actions before serious difficulties arise; whereas, passive leaders wait until problems occur (Judge and Piccolo 2004).

A final form of leadership, or non-leadership, is *laissez-faire*, which emerges when leaders avoid accepting responsibilities, fail to respond to requests for assistance, and resist expressing views on important issues (Bass 1997). Although *laissez-faire* leadership bears some resemblance to passive management by exception, one of the elements of transactional leadership, several researchers argued that *laissez-faire* leadership represents the lack of any leadership (e.g., transformational or transactional) and represents a different classification from other transactional dimensions (Avolio 1999; Bass 1998). Accordingly, this study regards *laissez-faire* leadership as an individual construct separate from transformational and transactional leadership.

## 2.2. The effect of leadership styles on follower's outcomes

Leadership studies investigating transactional and transformational leadership showed direct relationships with a variety of occupational outcomes, including job satisfaction (Piccolo and Colquitt 2006; Purvanova et al. 2006), intrinsic motivation (Bono and Judge 2003), self-efficacy (McColl-Kennedy and Anderson 2002), creativity (Howell and Avolio 1993), perceptions of justice (Cho and Dansereau 2010), engagement with occupation (Zhu et al. 2009), professional performance (Dvir et al. 2002; Podsakoff et al. 1996), low turnover rates (Keller 1992; Conger et al. 2000), behavior toward organizational citizenship (Fuller et al. 1995, Walumbwa et al. 2008) and psychological capital (Gooty et al. 2009).

Based on these previous studies, the current research argues that transformational and transactional leadership allow leaders to achieve two important outcomes in an organization. One focuses on the tasks or performance of the firm, such as planning and articulating the vision of the organization, monitoring subordinates' activities and providing necessary support (e.g., equipment and technical assistance). Another indicates the relationship between a leader and subordinates, including being supportive and helpful, showing trust and confidence, being friendly and considerate, trying to understand subordinates' problems, showing appreciation for their ideas, and recognizing subordinates' contributions and accomplishments (Yukl 2002). According to these viewpoints, this study focuses on three core aspects of employees' outcomes:

subordinate's satisfaction with the manager, subordinate's extra-effort, and subordinate's perceptions of the manager's effectiveness (Bass and Avolio 1997).

Management's leadership and organizational supervision directly impacts employees satisfaction levels (Bass and Avolio 2000; Yousef 2000; Loke 2001; Shim et al. 2002; Erkutlu 2008; Thompson 2008). Several studies (e.g., Bartram and Casimir 2007; Jung and Avolio 2000; Podsakoff et al. 1996) showed that transformational leadership has unique effects on followers' satisfaction with the leader. On the one hand, the capacity of transformational leadership, including a charismatic component, evokes admiration and identification and the goals that the leader articulates (Bartram and Casimir 2007). As such, transformational leaders provide a sense of direction and indicate high expectations and confidence for followers' abilities, which encourages employees; meeting expectations, and consequently, increases their satisfaction with the leader (Bono and Judge 2003). On the other hand, transformational leadership may engender trust for followers toward the leader because the followers believe that the leader is capable of fulfilling the leadership role (Whitener et al. 1998). Such roles involve concern for the personal needs of subordinates and behavior that reflects consistency with espoused values (Bass 1985). Indeed, if the leader appears to lack attention toward welfare, integrity, and/or competency for subordinates, they will be unlikely to trust the leader, which demotivates cooperation and subsequently, encourages dissatisfaction with the leader (Bartram and Casimir 2007).

Previous studies of transactional attributes suggests that contingent rewards influence many satisfaction levels by leadership in a positive way (Hater and Bass 1988; Lowe et al. 1996; Judge and Piccolo 2004); whereas, passive-management by exception and laissez-faire leadership have negative relationships with perceived satisfaction (e.g. Dumdum, Lowe and Avolio 2002; Judge and Piccolo 2004). The explanation lies in subordinates' perceptions of their managers being *agents of change* who can create and articulate a clear vision for an organization. That is, leaders may empower subordinates to achieve at higher standards and act in ways that engenders trust, thereby, increasing satisfaction with leaders and commitments to occupations. Thus, this study's hypotheses are (see Figure 1):

Hypothesis 1: Transformational leadership significantly influences employees' satisfaction.

H1a: Inspirational motivation positively influences employees' satisfaction.

H1b: Idealized influence positively influences employees' satisfaction.

H1c: Individualized consideration positively influences employees' satisfaction.

H1d: Intellectual stimulation positively influences employees' satisfaction.

Hypothesis 2: Transactional leadership significantly influences employees' satisfaction.

H2a: Contingent reward positively influences employees' satisfaction.

H2b: Management-by-Exception (Active) positively influences employees' satisfaction.

H2c: Management-by-Exception (Passive) negatively influences employees' satisfaction.

Hypothesis 3: Non-leadership (Laissez-Faire) negatively influences employees' satisfaction.

In terms of subordinates' extra-effort, as defined to the extent by which a leader motivates subordinates to perform beyond contractual expectations, Bass (1985) has previously suggested that transformational leadership positively reinforces the levels of subordinates' motivations and leadership efforts to encourage employees to be actively involved in their work as part of the overall business mission. Thereby, the employee becomes highly motivated to expend effort in order to meet perceptions of self-achievement according to the manager's expectations. Relatedly, other studies showed that by means of behavior, transformational



leaders create employees' commitments to satisfy higher-level needs, such as self-esteem and self-actualization (e.g., Gardner and Avolio 1998). The consequences may, in turn, increase the follower's intrinsic motivation, which is an important driver for employees' extra effort (e.g., Piccolo and Colquit 2006; Shamir et al. 1993). Recently, Douglas (2012) found that transformational leaders who make clear communication, set the goals, and motivate employees, inspire followers to reach beyond their own self-interests and further encourage them to do more than one is expected.

Transactional behavior clarifies expectations for employees' recognizing and meeting progress toward, and achievement of, goals by offering the (financial or non-financial) rewards based upon fulfillment of the contractual obligations (Avolio et al. 2004). Clarifying expectation is critical as it enables employees to form specific and time-bound goals for the organization, and in turn, facilitates achieving optimal performance (Locke and Latham 1990). Recently, Jackson et al. (2012) suggested that the leader's use of contingent rewards directly and indirectly influence the extent to which employees apply extra effort to accomplish performance that may be more difficult to complete than anticipated. Hater and Bass (1988), among others (e.g., Judge and Piccolo 2004; Lowe et al. 1996), found that non-corrective transactional leadership (i.e., passive-management by exception) has a negative relationship with employees' extra-effort, and a laissez-faire managerial style (or non-leadership) may negatively relate to employees' professional commitments (e.g. Dumdum et al. 2002). Therefore, this study proposes three additional hypotheses (see Figure 1):

Hypothesis 4: Transformational leadership significantly influences employees' extra-effort.

H4a: Inspirational motivation positively influences employees' extra-effort.

H4b: Idealized influence positively influences employees' extra-effort.

H4c: Individualized consideration positively influences employees' extra-effort.

H4d: Intellectual stimulation positively influences employees' extra-effort.

Hypothesis 5: Transactional leadership significantly influences employees' extra-effort.

H5a: Contingent reward positively influences employees' extra-effort.

H5b: Management-by-Exception (Active) positively influences employees' extra-effort.

H5c: Management-by-Exception (Passive) negatively influences employees' extra-effort.

Hypothesis 6: Non-leadership (Laissez-Faire) negatively influences employees' extra-effort.

The last aspect of employees' performance accounts for subordinates' perceptions of managers' effectiveness (Bass and Avolio 1997). Arguably, transformational leadership results in followers' performing beyond expectations (Seltzer and Bass 1990; Judge and Piccolo 2004). Lowe et al. (1996) found that individuals exhibiting transformational leadership gain perceptions of being more effective leaders whose subordinates perform better than individuals who exhibit only transactional leadership in public and private settings. Transformational leaders' behavior encourage subordinates' awareness of the special role they should play in the organization and provide personal guidance, which results in higher ratings of perceived effectiveness of the leader. Similarly, corrective transactional leadership with contingent rewards is effective for improving leaders' effectiveness, which engenders positive attitudes and performance among subordinates (Tosi 1982; Hater and Bass 1988; Lowe et al. 1996; Avolio et al. 1999; Judge and Piccolo 2004; Walumbwa et al. 2008).

Additionally, Hater and Bass (1988) found that subordinates tend to report leaders' high levels of effectiveness when supervisor acquire a specific leadership skills (i.e., active

transactional management by exception). In addition, Judge and Piccolo (2004) indicated that leadership (i.e., passive-management by exception in transactional leadership and laissez-faire) are ineffective and/or negatively correlate with perceived effectiveness of leadership (Dumdum et al. 2002; Hater and Bass 1988; Lowe et al. 1996). With the rapidly changing business environment in hospitality, managers' use of leadership containing transformational/transactional behavior, result in higher motivation and productivity among subordinates, and the issue has become increasingly important, rendering importance for leaders' effectiveness (Erkutlu 2008). Accordingly, this argument leads to proposing hypotheses:

Hypothesis 7: Transformational leadership significantly influences the effectiveness of the leader.

H7a: Inspirational motivation positively influences the effectiveness of the leader.

H7b: Idealized influence positively influences the effectiveness of the leader.

H7c: Individualized consideration positively influences the effectiveness of the leader.

H7d: Intellectual stimulation positively influences the effectiveness of the leader.

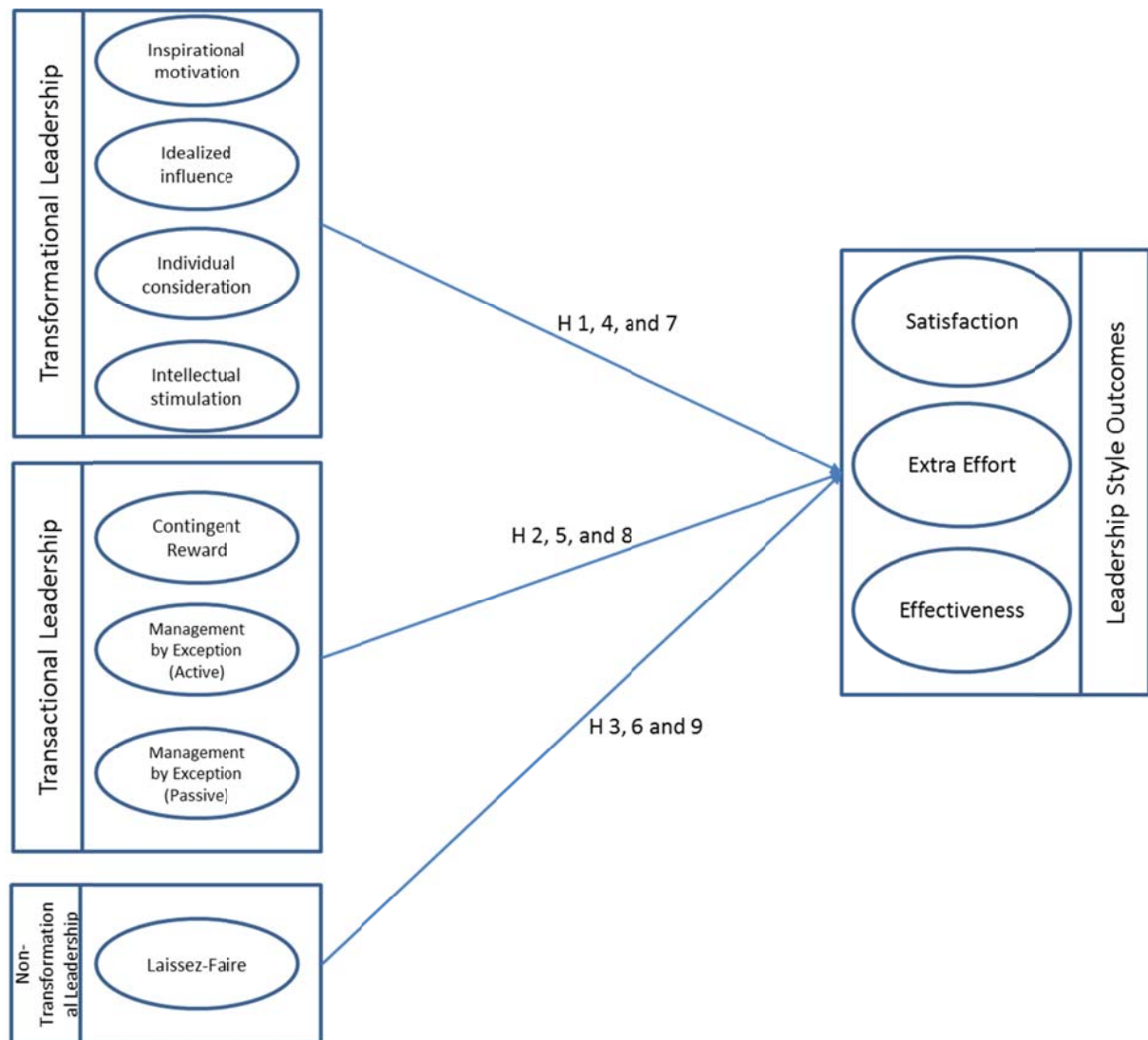
Hypothesis 8: Transactional leadership significantly influences the effectiveness of the leader.

H8a: Contingent reward positively influences the effectiveness of the leader.

H8b: Management-by-Exception (Active) positively influences the effectiveness of the leader.

H8c: Management-by-Exception (Passive) negatively influences the effectiveness of the leader.

Hypothesis 9: Non- transactional leadership (Laissez-faire) negatively influences the effectiveness of the leader.



**Fig. 1** Proposed model and research hypotheses

### 3. METHODOLOGY

#### 3.1 Sample and procedures

This study conducted a paper-based survey to collect data from employees of international hotels primarily for tourists, located in the Canary Islands (Spanish region). These hotels include the greatest capacity for four-star hotel by square meter and indicate the highest annual occupancy rates in Spain (INE 2010). Most of the hotels are on the island of Gran Canaria, a tourist-oriented municipality with the highest number of hotel employees in Spain (INE 2012). The focus of these resorts is the market for international leisure travelers, and they offer more than 300 rooms and extensive services.

Based upon the local and geographical characteristics of Gran Canaria, this study contacted 11 four-star hotels in the main resorts, for example, San Agustín, Playa del Inglés, and



Maspalomas to accumulate data from the survey. The research investigated employees whose responsibilities include staffing the front office, housekeeping, and food and beverage services. The focus on these employees is due to their performing in direct contact with customers during client-staff encounters for delivering services, and these area of activities' generating a large proportion of total revenue. Consequently, the style of leadership becomes an important factor determining the employees' effectiveness and/or performance (Clark et al. 2009). In order to ensure that employees have some knowledge of their immediate superior's style of leadership (e.g., Queries receptionists elicited descriptions of front office manager's style of leadership, the same for, waiters and room-service waiters of the *maitre d'* and housekeeping personnel of their managers. Queries to front office managers, *maitre d's* and housekeeping managers elicited descriptions of the General Manager's style of leadership), participants had to have tenure with the hotel since the first quarter of 2010 (more than 3 months). Then, distribution of the survey encompassed 405 employees of these three departments in the eleven hotels. Survey respondents received instructions to return the survey within a week of responding to the questionnaire. As a result, the total of valid returned questionnaires was 191, with response rates of 24.6%, 18.3%, 23.1%, and 34.0% for the reception, restaurant, housekeeping, and other departments (e.g., middle managers providing opinions of the general manager), respectively.

### 3.2 Measurements

This study used a revised multi-factor leadership questionnaire (MLQ-Form 5X) suggested by Bass and Avolio (1997). To be specific, this survey includes a set of 36 questions regarding three leadership styles: transformational, transactional, and non-transactional leaderships. This measurement has had wide application in contexts of general leadership, such as delivery firms (Hater and Bass 1988), banks (Geyer and Steyrer 1998), military (Yammarino et al. 1993), and general business firms (e.g., health care and service agency) (Tejeda et al. 2001), and hotels (Hinkin and Schriesheim 2008). The previous studies indicated acceptable levels of validity and reliability of the measurement. To ensure content validity of the instrument, an invitation to a group of hotel professionals requested critical evaluation of the representative sample and clarity of construction (Jaworski and Kohli 1993). Then, a pilot study asked operational staff in the front office and/or in the restaurant of a luxury hotel in Spain to respond. The results of the pilot study showed that the distribution of data is wide and roughly follows normal distribution. It acknowledges the following procedures of data analysis to use the data collected by the MLQ leadership measurement. Actual respondents evaluated their immediate superiors based on a 5-point Likert scale.

A second set of nine questions considers the employee's performance, including extra-effort, effectiveness, and satisfaction (or leaderships' performance at the individual level) (Felfe and Schyns 2004; Nemanich and Keller 2007; Podsakoff et al. 1996). According to the MLQ measurements, a professional panel and the pre-test checked content validity, and the results of the pilot study confirmed the usability of measurements for evaluating leadership's performance. The surveyed respondents answered questionnaires using 5-point Likert scale. The last part of the survey asks respondents to provide demographic information, including gender, age, education, types of contracts, departments involved, length of employment and previous employment experiences.

### 3.3 Data Analysis

This study follows two steps for data analysis: (1) descriptive analysis and (2) Partial Least Square (PLS) analysis to assess the proposed model, including estimations for the measurement and structural models. First, conducting a frequency analysis determined the characteristics and profiles of respondents (e.g., gender, age, education, employee's contract, departments involved, length of employment, and previous experiences). Next, this study used PLS to test the hypotheses because that method provides several advantages over other multivariate models such as SEM and multiple regression. Specifically, PLS requires minimal restrictions on measurement scales, sample size and residual distributions (Chin et al. 2003; Vinzi et al. 2010). As such, PLS analysis is an appropriate approach for assessing models that include complex relationships and a large number of manifest variables (over 25 proposed relationships) (Chin 1998; Kleijnen et al. 2007). Especially, PLS employs a principal component analysis to maximize the variance explained for endogenous variables, rather than developing a covariance matrix like SEM (Chin et al. 2003). That is, while the aim of SEM is to reproduce the theoretical model based on the data collected with concern for goodness of fit indexes, PLS focuses on maximizing the variance explained of endogenous variables.

Based on the partial nature of the PLS algorithm, PLS requires a relatively small sample size (Goodhue et al. 2006; Marcoulides et al. 2009). For example, Chin (2010) recommended that 20 cases per a dependent variable are suitable to test the statistical model. A well-known standard for PLS sample size developed by Barclay et al. (1995) and Chin (1998) is to consider the number of structural paths and dependent variables. Specifically, Barclay et al. (1995) suggested ten times the largest number of structural paths directed at a particular construct in the inner path model. Chin (1998) suggested ten times the number of predictors for a dependent variable that includes the largest number of indicators. Thus, the number of valid samples in this research, 191, is sufficiently to use PLS and in turn, to obtain reliable results.

Two stages of data analysis tested the proposed model: (1) measurement model and (2) structural model estimations using PLSGraph software. A series of criteria to estimate the measurement's model focused on convergent and discriminant validity tests, and used cross-loadings of Confirmatory Factor Analysis (CFA), Average Variance Extracted (AVE) with cut-off value over 0.50, and latent correlation analysis (Chin 1998, 2010; Fornell and Larcker 1981). Additionally, the basis for assessment of composite reliability was internal consistency reliability with a cut-off level of 0.80 (Werts et al. 1974; Nunally and Bernstein 1994). To estimate the structural model, this study takes into account two assessments, coefficient of determination ( $R^2$ ) and significant values of the paths' coefficients (Urbach and Ahlemann 2010).

## 4. RESULTS

### 4.1. Profiles of Respondents

Table 1 presents the profiles of respondents in this study, revealing more male (67%) than female employees (33%), and over 65% of respondents are between 30 and 50 years old. Approximately 42% of employees have had infant school degree (41.9%), followed by college (23.6%), university (14.7%), junior school (9.9%), no education (5.2%), and senior school (4.7%). In terms of employees' contracts with hotels, people with an eventual contract (55%) are slightly greater than those with fixed contracts (45%). Over 95% of respondents joined the four departments of interest: reception (27.7%), front and back office (27.7%), housekeeping (22.5%), and restaurant (20.4%). Additionally, the majority of employees had tenures of more

than 6 months (88%). Last, about 70% of respondents reported having previous employment in either a chain or an independent hotel (in chain hotels = 39.3%, in independent hotels = 25.1% and both chain and independent hotels = 7.9%).

**Table 1** Employees' Demographic Profile

	Frequency	Percent
Gender		
Female	63	33%
Age		
Less than 30 years	54	28.3%
Between 30 and 50 years old	128	67%
More than 50 years	9	4.7%
Education		
No education	10	5.2%
Infant School	80	41.9%
Junior School	19	9.9%
Senior School	9	4.7%
College	45	23.6%
University	28	14.7%
Employee contract		
Eventual	105	55%
Fixed	86	45%
Departments		
Reception	53	27.7%
Restaurant	39	20.4%
Housekeeping	43	22.5%
Concierge	1	.5%
Back	2	1.0%
Front& Back	53	27.7%
Length of employment		
More than 6 months	168	88%
Less than 6 months	23	12%
Employee experience		
No previous experience	53	27.7%
In hotel chains	75	39.3%
In independent hotels	48	25.1%
Both hotel chains & independent hotels	15	7.9%

#### 4.2. Measurement Model Estimation

A confirmatory factor analysis (CFA) determined the structures of sub-constructs that indicate transformational (e.g., idealized attributes, idealized behavior, inspirational motivation, intellectual stimulation, and individualized consideration), transactional (e.g., contingent reward, management-by-exception active, and management-by-exception passive) and non-transactional (e.g., laissez-faire) styles of leadership. Then, this study performed latent correlation analysis to estimate initial discriminant validity. The result of the measurement model indicates a multicollinearity issue between latent variables of transformational leadership, especially

between intellectual stimulation and individual consideration. This study considers two approaches to resolve the multicollinearity problem: (1) theoretical explanation based on previous research and (2) statistical diagnostics based on the data collected.

Based upon previous studies of MLQ, mixed empirical findings relate to discriminant validity (see Avolio et al. 1999; Carless 1998; Tejada et al. 2001). The varied results of structures of MLQ measurements somehow led researchers to adopting diverse viewpoints for conceptualizing and measuring transformational leadership (Hardy et al. 2010). For example, some authors conceptualized and measured transformational leadership based on a global construct (e.g., Dvir et al. 2002; Jung et al. 2003; Pillai et al. 1999); whereas, others used transformational leadership with a reduced set of factors (e.g., Barling et al. 1996; Charbonneau et al. 2001; Tejada et al. 2001). In particular, these prior leadership studies highlighted the high inter-factor correlations between constructs of transformational leadership (see Carless 1998). Accordingly, Antonakis et al. (2003) suggested researchers of leadership develop customized models that include specific sub-components for behavior representing transformational leadership since the formation and structure of styles of leadership vary according to the nature of the outcome and context. Antonakis et al. (2003) also indicated a potential variance of magnitude in the relationships between styles of leadership and outcomes among different contexts.

With regard to the statistical aspect, analyses of the full model, including five latent constructs of transformational leadership, tested the relationships with three types of employees' performances (i.e., extra effort, effective leadership, and satisfaction with managers' methods of supervision). First, the results from checking the correlation values between intellectual stimulation and individualized consideration produced results indicating higher than 0.80. The results of causal relationships show that intellectual stimulation is not statistically significant for influencing any of three dependent variables. As expected, intellectual stimulation also plays a limited role to account for the variances among employees' performances, about 1% of total variance. Thus, based on these theoretical and statistical results, the data analysis takes into accounts four latent constructs (i.e., idealized attributes, idealized behaviors, inspirational motivation, and individualized consideration) to describe transformational leadership without intellectual stimulation.

CFA was performed based upon four transformational, three transactional, one non-transactional styles of leadership, and three performance variables. The CFA results reveal low factor scores for eleven items (i.e., lower than 0.70); for example, idealized Attribute 2 (Factor Loading = 0.65), Idealized Behavior 1 (Factor Loading = 0.56), Individualized Consideration 2 (Factor Loading = 0.10), Contingent Reward 2 (Factor Loading = 0.24), Active Management-by-exception 1 and 4 (Factor Loading = 0.46 and 0.57, respectively), Passive Management-by-exception 1 and 3 (Factor Loadings = 0.52 and 0.55, respectively), Laissez-faire 2 (Factor Loading = 0.52), Employee's Extra Effort 1 (Factor Loading = 0.19), and Leadership's Effectiveness 4 (Factor Loading = 0.54) (see Appendix I). Then, a revised CFA model was developed by removing the eleven items that indicate the factor loadings lower than cut-off levels. Table 2 presents that all of the indicator variances are statistically significant (i.e., t-value larger than 1.96) and factor scores over 0.70.

**Table 2** PLS Confirmatory Factor Analysis for Discriminant and Convergent Validity

	Factor loadings	T-value
<i>Idealized Attributes</i>		
Idealized Attributes 1	0.85	40.34***
Idealized Attributes 2	0.77	16.73***
Idealized Attributes 3	0.83	26.18***
<i>Idealized Behaviors</i>		
Idealized Behaviors 1	0.71	11.65***
Idealized Behaviors 2	0.77	17.61***
Idealized Behaviors 3	0.80	22.84***
<i>Inspirational Motivation</i>		
Inspirational Motivation 1	0.81	24.78***
Inspirational Motivation 2	0.83	28.07***
Inspirational Motivation 3	0.87	45.51***
Inspirational Motivation 4	0.79	17.49***
<i>Individualized Consideration</i>		
Individualized Consideration 1	0.85	32.80***
Individualized Consideration 2	0.69	10.43***
Individualized Consideration 3	0.92	85.27***
<i>Contingent Reward</i>		
Contingent Reward 1	0.80	23.43***
Contingent Reward 2	0.86	38.69***
Contingent Reward 3	0.87	47.37***
<i>Management- by-Exception (Active)</i>		
Management- by-Exception (Active)1	0.85	18.60***
Management- by-Exception (Active)2	0.84	18.41***
<i>Management- by-Exception (Passive)</i>		
Management- by-Exception (Active)1	0.94	53.74***
Management- by-Exception (Active)2	0.76	9.44***
<i>Laissez-Faire</i>		
Laissez-Faire 1	0.81	18.26***
Laissez-Faire 2	0.77	12.23***
Laissez-Faire 3	0.79	15.02***
<i>Extra Effort</i>		
Extra Effort 1	0.94	92.65***
Extra Effort 2	0.93	53.47***
<i>Effectiveness</i>		
Effectiveness 1	0.85	39.90***
Effectiveness 2	0.84	30.31***
Effectiveness 3	0.74	12.07***
<i>Satisfaction</i>		
Satisfaction 1	0.91	61.12***
Satisfaction 2	0.90	50.41***

Note: \*p<0.05, \*\*p < 0.01, \*\*\*p < 0.001

Assessment of the square root of Average Variance Extracted (AVE) for each construct tests the convergent validity for eleven latent variables and the estimated AVE value compared to inter-correlated values among other constructs. The results of this analysis reveal that the AVEs (the mean-squared loading for each construct) are larger than the cross-correlations of other constructs (see Table 3). In other words, the analysis suggests that each respective construct is apparently distinctive from other constructs in the measurement's model, which confirms discriminant validity (Fornell and Bookstein 1982). The square root of AVE is also over 0.70, implying that the latent variables explain indicators more than error variance and refers to convergent validity. The internal consistency calculated by composite reliability also shows sufficient levels to satisfy tolerable reliability (over 0.80), as shown in Table 3 (Werts et al. 1974).

**Table 3** Latent Variable Correlation

Constructs	Reli- ability	1	2	3	4	5	6	7	8	9	10	11
1. Idealized Attributes	0.86	<b>0.82</b>										
2. Idealized Behaviors	0.81		<b>0.76</b>									
3. Inspirational Motivation	0.89	0.70	0.72	<b>0.83</b>								
4. Individualized Consideration	0.86	0.71	0.73	0.70	<b>0.83</b>							
5. Contingent Reward	0.88					<b>0.85</b>						
6. MEA	0.83	0.57	0.57	0.51	0.49	0.48	<b>0.86</b>					
7. MEP	0.85	-0.46	-0.33	-0.30	-0.34	-0.35	-0.24	<b>0.86</b>				
8. Laissez-Faire	0.84	-0.47	-0.34	-0.38	-0.36	-0.38	-0.41	0.64	<b>0.79</b>			
9. Extra Effort	0.93	0.72	0.65	0.77	0.71	0.76	0.45	-0.33	-0.39	<b>0.93</b>		
10. Effectiveness	0.85	0.75	0.61	0.70	0.68	0.73	0.52	-0.37	-0.46	0.76	<b>0.81</b>	
11. Satisfaction	0.90	0.75	0.62	0.66	0.68	0.72	0.45	-0.50	-0.48	0.75	0.73	<b>0.90</b>

*Note:* Items on the diagonal (in bold) represent AVE scores; MEA refers to Management- by-exception (Active); MEP refers to Management- by-exception (Passive).

Since the response data was collected by using same mean for measuring all constructs, to further investigate validity of the research findings, this study tests the extent to which the statistical results' variances embed the common method bias (Podsakoff et al. 2003). One of estimation methods employed correlation analysis produced results for correlation values among latent constructs to determine if extremely high correlation appears between factors. Table 3 shows no variable with a correlational value over the cut-off of 0.90. Next, Conducting Harman's single factor test applies exploratory factor analysis without performing any rotation. As a result, the variance explained for a factor is 34.87% (lower than the cut-off of 50%), indicating that the results do not have considerable common method bias (Harman 1976; Podsakoff and Organ 1986)

#### 4.3 Structural Model Estimation

PLS structural model with bootstrap resampling method (200 sample generations) assesses the hypothesized relationships to calculate t-values. The statistical results of path coefficient and  $R^2$  appear in Table 4. While a variable of transformation leadership (i.e.,



idealized attributes) shows a positive, significant relationship with satisfaction with leaders' behavior ( $b = 0.33$ ;  $p < 0.001$ ), two factors of transactional leadership are statistically significant: one positive (i.e., contingent reward) ( $b = 0.28$ ;  $p < 0.001$ ) and the other negative (i.e., management-by-exception passive) ( $b = -0.16$ ;  $p < 0.01$ ) relationships. Accordingly, the examined variables explain 67% of variance for satisfaction with the leader.

In terms of the construct for extra-effort, two factors of transformational leadership, idealized attributes and inspirational motivation, positively influence motivation for extra effort ( $b = 0.25$  and  $0.34$ ;  $p < .001$ , respectively). Contingent reward from transactional leadership positively correlates with the variable for extra effort ( $b = 0.26$ ;  $p < 0.001$ ). As a result, these proposed factors explain 67% of total variance for employees' extra efforts. Last, with regard to leadership's effectiveness in organizations, idealized attributes ( $b = 0.37$ ;  $p < 0.001$ ) and inspirational motivation ( $b = 0.17$ ;  $p < 0.01$ ) in transformational leadership, and contingent reward ( $b = 0.26$ ;  $p < 0.001$ ) in transactional leadership positively affect effectiveness; whereas, non-transactional leadership indicates a negative relationship with leadership's effectiveness ( $b = -.12$ ;  $p < 0.01$ ). Accordingly, the factors account for 70% of total variance ( $R^2$  adjusted for degree of freedom) of the effectiveness constructs.

**Table 4** Results of PLS Structural Model

Paths	Coefficient	R <sup>2</sup>
Idealized Attributes → Satisfaction	0.33***	0.67
Idealized Behaviors → Satisfaction	-0.01	
Inspirational Motivation → Satisfaction	0.09	
Individualized Consideration → Satisfaction	0.11	
Contingent Reward → Satisfaction	0.28***	
Management- by-Exception (Active) → Satisfaction	-0.04	
Management-by-Exception (Passive) → Satisfaction	-0.16**	
Laissez-Faire → Satisfaction	-0.07	
Idealized Attributes → Extra Effort	0.25***	0.67
Idealized Behaviors → Extra Effort	-0.01	
Inspirational Motivation → Extra Effort	0.34***	
Individualized Consideration → Extra Effort	0.12	
Contingent Reward → Extra Effort	0.26***	
Management- by-Exception (Active) → Extra Effort	-0.06	
Management-by-Exception (Passive) → Extra Effort	0.04	
Laissez-Faire → Extra Effort	-0.05	
Idealized Attributes → Effectiveness	0.37***	0.70
Idealized Behaviors → Effectiveness	-0.07	
Inspirational Motivation → Effectiveness	0.17**	
Individualized Consideration → Effectiveness	0.09	
Contingent Reward → Effectiveness	0.26***	
Management- by-Exception (Active) → Effectiveness	0.05	
Management-by-Exception (Passive) → Effectiveness	0.04	
Laissez-Faire → Effectiveness	-0.12**	

Note: \*\* $p < 0.01$ , \*\*\* $p < 0.001$

## 5. Discussion

Based on the importance of leadership in the business hospitality industry (e.g., human intensive industry), this study seeks to identify the underlying structures of departmental or general managers' styles of leadership, and to examine the influence of multi-leadership on three aspects of employees' performance (e.g., perceived satisfaction with the leader, subordinate's extra-effort, and perceptions of leadership's effectiveness). This study contributes to the literature of leadership and extends prior research (e.g., Hinkin and Schriesheim 2008) through identifying dimensions of hotel manager's leadership based upon comprehensive measurements (i.e., the MLQ) and estimating the effectiveness of specific elements of leadership on the subordinates' performance. More specifically, the results of this study suggest a modified model to measure transformational leadership excluding *intellectual stimulation*, according to the argument of Antonakis et al. (2003) that researchers of leadership must develop customized models to include specific sub-components and structures of leadership that may vary depending on the nature of the desired performance and the context.

This study also found that the factors of idealized attributes and contingent reward are the most important elements of leadership that influence all three measures of employees' performance. When subordinates perceive managers as *agents of change* (i.e., idealized attribute) who represent positive role models, articulate a clear vision, empower subordinates to achieve higher standards, raise trustworthiness, and encourage meaningfulness of organizational life, the managers inspire perceptions of higher purpose in subordinates' tasks (i.e., extra effort) and in turn, enhance the perceived effectiveness of, and satisfaction with the leader (Erkutlu 2008; Howell and Frost 1989; Podsakoff et al. 1996; Sparks and Schenk 2001). As in Avolio (1999), this study supports the notion that leadership with contingent rewards is reasonably effective because the leader's communication with subordinates setting clear expectations, clarifying methods for achieving outcomes, and rewarding performance that achieves goals are likely to motive employees' extra effort, and subsequently, increases subordinates' professional satisfaction. Contrary to transformational leadership that assists identifying followers' needs, leadership via contingent rewards provides tangible or intangible recognition for fulfilling contractual obligations (Bass 1998; Lowe et al. 1996; Walumbwa et al. 2008).

From the Spanish hotel perspective, changes in demand during the last decade resulting from more selective consumers with increased purchasing power and changing tastes have led to an increased market share for 4 and 5 star hotels, while market shares for other categories (i.e., budget hotels) have declined (Trustin et al. 2006). As a result, the market in which categories of hotels represent identical features and benefits causes hotels' leaders to focus on strategies of differentiation, particularly internal attributes, including service quality, reputation, security, and cleanliness (Chu and Choi 2000). As such, these leaders may encourage employees to establish attainable and clear missions for improving service quality to ensure customers' satisfaction (referring to idealized attributes) with rewards accruing to subordinates who meet objectives (referring to contingent reward from Spanish hotel leaders).

Other than those two leadership elements (idealized attributes and contingent reward) which are significant for all employees' performance, this research identifies the important factors of the leadership affecting employees' outcomes that vary depending on different types of performance: for example, management-by-exception (passive) and laissez-faire leadership negatively correlate with subordinates' satisfaction with leaders' effectiveness. Yukl (2002) demonstrated that followers are more likely to be effective if they view themselves as active and

independent rather than passive and dependent on the leader. Therefore, the passive engagement of the leaders may induce negative outcomes from followers. Given the Spanish hotel context that constitutes a large number of luxury hotels, leaders attempt to offer the highest overall quality by training employees to be active in the service recovery process and to respond to (almost all) customers' inquiries to meet customers' levels of expectation. This explains the results that leadership's inactively responding to subordinates' need for assistance leads to negative perceptions of superiors when resolving customers' complaints.

In terms of inspirational motivation, the underlying notion of this element of leadership is that "organizational vision, communication, challenging workers encouragement, working with workers, and giving autonomy" are the core values of inspirational motivation (Sarros and Santora 2001, p. 386). Leaders who are inspirational and show commitment with genuine concern can challenge their followers, thereby, encouraging subordinates' extra effort, and in turn, positively influences leaders' effectiveness (Bass and Avolio 1997).

Concerning several insignificant relationships in the results of this study, Brown and Arendt (2010) argued that employees who work for large hotels (particularly chain hotels) should follow certain rules and procedures when interacting with guests. Therefore, "because the front desk staff interact with guests frequently, and may be restricted in how they do so, they may lack the opportunity to take the initiative or feel less motivated in the workplace" (Brown and Arendt 2010, p.54). This may cause that certain attributes of transformational leadership (e.g., intellectual stimulation and individual consideration) in the hotel context may account for a relative lack of variance for employees' outcomes. Baliga and Hunt (1988), further, stated that transformational leadership can play an important role when an organization locates on the birth, growth and revitalization stages. It, however, appears that the Spanish hospitality industry confronts a mature market: high competitive pressure (Becerra et al. 2013) and over supply compared to demand (Cuenllas 2013). Thus, we argue that this market circumstance of Spanish hotels brings about different findings (i.e., selective significant factors) compared to the results about leadership of the general industry. With regard to transactional leadership, Vila et al. (2012) also noted that Spanish hotel industry has embarked on a course of innovation in response to the challenging competitive market, and thus, the hotels mainly focus on the contingent reward of leadership that allows rewarding employees for their innovative proposals as shown in this study.

Based on these findings, this study contributes to the theoretical foundations of the study of leadership in the context of Spanish hotels. First, this research identifies the elements reflecting multiple aspects of leadership (i.e., transformational, transactional, and non-transactional leadership), in which some factors are modifications of the generic framework of leadership to reflect an improved structure for tourism and hospitality. Next, recognizing that most tourism and hospitality studies focused on transformational leadership, this study assesses, holistically, the effect of multiple leadership styles. As a result, the findings of this research illuminate the core factors that directly improve individuals' performance, according to different aspects and identified the relative importance of the elements for successful leaders. Furthermore, these findings suggest managerial implications for hospitality organizations: (1) develop transformational leadership based on idealized influence to encourage associates' emulation of managers' trustworthiness, create attainable missions, and clarify visions; (2) identify subordinates' needs and link these to the leader's expectations for accomplishment and rewards for meeting objectives. Contingent reward is the only transactional leadership attribute related to associates' extra effort, meeting subordinates' occupational needs, contributing to

organizational effectiveness, and ensuring satisfaction with the leader's style. Finally, (3) avoidance of non-corrective transactional styles of leadership (e.g., management-by-exception in a passive way) and laissez faire resolves the negative effect of those styles on employees' performance.

The study is subject to limitations that future research could address. First, specific characteristics of hotels, such as type of property (chain or independent hotel), or the hotels' size and number of employees may affect the findings. Accordingly, future research analyzing the moderating role of these hotel-related variables on the relationship between the styles of leadership and employee's outcomes need attention to improve implications for hotel managers. Second, in terms of data collection, the surveys' completion between January and April, a very busy season for tourism in the Canary Islands, may have affected responses due to high stress levels of managers and high workloads for subordinates. Future research that obtains data from a number of different hotels in different countries as well as a range of time periods including peak and off-peak seasons may expand validation of this study.

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**Appendix I** PLS Confirmatory Factor Analysis considering Full Constructs

Items	Factor loadings
<b>Transformational Leadership</b>	
<i>Idealized Attributes</i>	
Instills pride in being associated with manager (p10) (IA1)	0.85
Goes beyond self-interest for the good of the group (p18) (IA2)	0.65 (Removed)
Actions build respect (p21) (IA3)	0.72
Displays a sense of power and confidence (p25) (IA4)	0.81
<i>Idealized behaviors</i>	
Discusses most important values and beliefs (p6) (IB1)	0.56 (Removed)
Specifies the importance of having a strong sense of purpose (p14) (IB2)	0.71
Considers the moral and ethical consequences of decisions (p23) (IB3)	0.75
Emphasizes the importance of having a collective sense of mission (p34) (IB4)	0.79
<i>Inspirational Motivation</i>	
Talks optimistically about the future (p9) (IM1)	0.81
Talks enthusiastically about what needs to be accomplished (p13) (IM2)	0.83
Articulates a compelling vision for the future (p26) (IM3)	0.87
Expresses confidence for achieving goals (p36) (IM4)	0.79
<i>Individualized Consideration</i>	
Spends time teaching and coaching (p15) (IC1)	0.86
Individualizes treatment rather than just a member of a group (p19) (IC2)	0.10 (Removed)
Treats each person as individuals with different needs, abilities, and aspirations (p29) (IC3)	0.69
Focuses on developing individual strengths (p31) (IC4)	0.92
<b>Transactional Leadership</b>	
<i>Contingent Reward</i>	
Provides assistance in exchange for effort (p1) (CR1)	0.79
Ensures appropriate rewards for achieving targeted levels of performance (p11) (CR2)	0.24 (Removed)
Clearly expresses rewards for performance meeting designated standards (p16) (CR3)	0.86
Expresses with a well accomplished task (p35) (CR4)	0.87
<i>Management-by-Exception (Active)</i>	
Focuses attention on irregularities, mistakes, exceptions, and deviations from standards (p4) (MEA1)	0.46 (Removed)
Spends time extinguishing “fires” (p22) (MEA2)	0.78
Keeps track of mistakes (p24) (MEA3)	0.77
Directs attention toward failure to meet standards (p27) (MEA4)	0.57 (Removed)
<i>Management-by-Exception (Passive)</i>	
Fails to intervene until problems become serious (p3) (MEP1)	0.52 (Removed)
Things have to go wrong for before taking action (p12) (MEP2)	0.91
Shows to be a firm believer in “If it ain’t broke, don’t fix it” (p17) (MEP3)	0.55 (Removed)
Problems must become chronic before taking action (p20) (MEP4)	0.74
<b>Non-Transactional Leadership</b>	
<i>Laissez-Faire</i>	
Avoids involvement when important issues arise (p5) (LF1)	0.81
Is absent when needed (p7) (LF2)	0.52 (Removed)

Avoids making decisions (p28) (LF3)	0.76
Delays responding to urgent questions (p33) (LF4)	0.78
<b>Outcome of Leadership</b>	
<i>Extra-effort</i>	
Encourages others to accomplish than they expected (p39) (Extra-effort 1)	0.19 (Removed)
Heightens others' desire to succeed (p42) (Extra-effort 2)	0.93
Increases others' willingness to try harder (p44) (Extra-effort 3)	0.92
<i>Effectiveness</i>	
Effectively meets others' job-related needs (p37) (Effectiveness 1)	0.84
Effectively represents the group to higher authority (p40) (Effectiveness 2)	0.81
Effectively meets organizational requirements (p43) (Effectiveness 3)	0.73
Leads a group that is effective (p45) (Effectiveness 4)	0.54 (Removed)
<i>Satisfaction</i>	
Uses methods of leadership that are satisfying (p38) (Satisfaction 1)	0.91
Works with others in satisfactory ways (p41) (Satisfaction 2)	0.90
<i>Note:</i> IA refers to Idealized Attributes; IB refers to Idealized behaviors, IM refers to Inspirational Motivation; IC refers to Individualized Consideration; CR refers to Contingent Reward; MEA refers to Management- by-exception (Active); MEP refers to Management-by-exception (Passive); LF refers to Laissez-faire;	