

## An Investigation into the Effect of Likert's Leadership Styles on Empowering Iran Insurance Company's Staff

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### Abstract

This case study was carried out in Iran Insurance Company in the area of Hamadan city in September, 2013. The statistical population of the study consisted of 144, the whole body of which was taken as sample to raise more accuracy and have access to it. The sampling method is of simple randomized kind. The means of collecting data is questionnaire. In order to assess the validity of the questionnaire, the formal method was used as Cronbach Alpha with 83.0 and 75.0 values was taken for its reliability. The results showed that main hypothesis about the significant relationship between Likert leadership styles and empowering staff is confirmed. These breakthroughs revealed that empowering staff can be developed.

**Key words:** insurance industry, Likert's leadership styles, staff empowering

### Introduction

From birth to the end of his life, Human being tends to build up a close and mutual relationship with organizations. This usually raises the question that how organizations can become more efficient in offering services and what management practices they need to take to achieve it.

Manager can raise the satisfaction from a work by leading and correctly guiding human resource and motivating personnel in order to achieve organization's objectives. The management factor can be investigated from different aspects: including how they deal with staff, his competency and attention to comments and suggestions of employees regarding planning and how evaluate staff. Empowering is considered to be one of the promising concepts of the business world which has received lesser attention. Yet, today it has turned out to be a contemporary debate across the globe. However, despite a great deal of controversy about the benefits of empowerment, there is little attempt to apply it. Although, it allows managers to use the knowledge, skills and experience of every individual in their organization, there are very few managers and group of people who have knowledge of how to create an empowerment culture. Empowering staff is the core of managers' attempt to build up creativity, decentralization and eliminate bureaucracy in organizations. It also leads managers and organization to achieve goals more quickly and without wasting resources. Empowering makes staff have a sense of belonging for their organization and jobs and be proud of them working there. As for the facilities of an organization, the central role should be assumed by human force. It happens because an optimal combination of human agents along with capital factor as well as other contributing factors in organization can raise the possibility of achieving organizational objectives due to providing grounds for increasing human force's incentive. However, if human force lacks an incentive and satisfaction from its job, its work would consequently dwindle. Given the fact that empowering process is required to delegate decision-making to the potentially lowest organizational level, the main goal of empowering is to reduce the traditional bureaucratic hierarchy. Therefore, it can be concluded that attending to staff empowering is a crucial concern and all these reasons led us to deal with this issue in the present study. Thus,

with regard to the subject and nature of the study, the statement of the problem and the main objective of this study is to investigate into the effect of Likert's leadership styles on empowering the staff of Iran Insurance Company in Hamadan city.

### **Literature review**

The entire studies of this research rest on a conceptual framework which identifies the variables in question and the relationship between them. Since human force is the core of all political, economic, social activities and the like, making investment in this resource and how we correctly manage it is considered to be one of the most important strategies of a comprehensive development. Leadership is by definition the ability to influence on a group to achieve a goal or goals. It is the integral part of management and plays a pivotal role in a manager's operation. If there is one reason that makes a difference between successful and unsuccessful organizations, it is undoubtedly a dynamic and influential leadership. Pieter Draker pointed out that Managers referring to as the leaders of organization are believed to be real assets to any institution. Despite the fact that all managers apply leverage to have influence over people, they may vary in the way they apply leverage to get desirable results. The research related to leadership behavior determines leadership styles and attempts to identify that which one works as best as possible. If we are able to determine the best style, it might be feasible that we get people trained and capable to apply the style in a way to achieve success in leadership.

### **Leadership**

Rensis Likert and his colleagues at the Social Research institute of the University of Michigan placed an emphasis on the necessity to pay attention to human resources and investment resources as the assets requiring proper resource management. In his study, Likert found out that the common styles of organization leadership can be shown on a continuum from system 1 to system 4.

*System 1, autocratic leadership style:* this management does not have any confidence in subordinates and rarely makes them involve in decision-makings. All the decisions and goal-settings of organization are made at the top level and it is passed on to the lowest ranks through the chain of command. Subordinates are forced to work in fear, intimidation, punishment and incidental rewards. Any reasonable interaction, sparked between head and subordinate, go with fear and cynicism. Extreme control practice is focused on senior management level and it is typically such a case that an informal organization is set up which opposes the goals of an organization. System 2, benevolent leadership style, this type of trust and confidence management goes with toleration, namely trust and confidence of lord in servant rather than subordinates, while all decisions and setting goals are made at the head of an organization. Some decisions are made within a prescribed framework at a lower level. Some actual or potential rewards and punishment are employed to motivate employees. Any action and reciprocal reaction between superior and subordinate are taken place with tolerance and leniency on the part of superiors and with fear and caution on the part of subordinates. While the centralization of control remains in the hands of senior management, some will be delegated to the middle and lower levels; usually an informal organization is formed which does not resist to the formal objectives of an organization though. The third system (consultative leadership style): this management has remarkable confidence but incomplete attention to subordinate. While the general policies and crucial decisions are taken at a higher level, subordinates are allowed to take decisions at lower levels in very specific case. The relationship flows up and down a hierarchy. Rewards and incidental punishment and to some extent participation at work are utilized to motivate workers, the mutual interaction between superior and subordinate is maintained which is often followed by a moderate trust and confidence. The important aspects of control process are transferred to a low

rank. It goes with a sense of responsibility at both high and low levels. An informal organization may be formed to affirm organizational goals or put up to some extent resistance against it. The fourth system (participatory leadership style): in this management, a thorough trust and confidence toward subordinates are expressed. Although decision-making is widely distributed throughout an organization, it is endowed with a unity and integration. The relationship not only continues for upstream and downstream, but it does also between groups and homogenous individuals. Motivation of staff is derived from their direct involvement in determining economic rewards for objectives, improved methods and progress evaluation in line with objectives. Under this kind of management, the mutual interaction between superior and subordinate is extensive and friendly accompanied with a great deal of trust and confidence. Thus all the social forces advocate the attempts to realize organizational goals.

### **Empowering**

Empowering means that we provide freedom and necessary information for people, so that they can do what they wanted to do in a successful way rather than we force them to do what we want them to do. Engaging and involving large number of people in creating a vision of the future of an organization, designing strategy for getting there and attempting to achieve them is called empowering. Empowering refers to enabling people and giving them leeway to administer themselves and it means, by organizational concept, a change in culture and the courage to build up and guide an organizational environment. Management came to the decision that we need to transmit a driving force from man's outside to his inside and provide him with knowledge, getting the objectives of the work straight for him and give him the right to choose. Instead of telling someone to do what and how and when he has to do, we should enable them to solve their own issues and make decisions for themselves, feel confident and assume the management responsibilities. All the items mentioned are called empowering. It enables managers to act against the dynamics of competitive environment in a quick and decent manner by raising motivated and competent employees, providing the ground for a competitive advantage of their organization. The following table represents a historical journey to the empowering concept for the management literature.

**Table1. Empowering concepts**

<b>Decades</b>	<b>The concepts related to empowering</b>	<b>Explanation</b>
1950	Human relationship	Managers should have friendly manner toward employees
1960	Education sensitivity	Managers should be sensitive to employee's needs and motives
1970	Employee participation	Managers involve employees in making decision
1980	Comprehensive quality management	Managers laid emphasis on teamwork and forming teams
1990	Empowering employees	Managers provide opportunities that release employee's potentials

### **The concept of the variables in question**

A: leadership: the process to influence people or group's activities with a view to strive for achieving a goal at specific position. B) Autocratic leadership: in this system, leader acts in a quite

domineering manner and tries to exploit his subordinates. C) Benevolent leadership: leader is still autocrat and would never delegate any power to his subordinate, but he loves them and attempts at bringing benefits and goodness for them. D) Consultative leadership: leader requests subordinates to give their opinions and provide consultation, but he thinks that the right to take the ultimate decision belongs to him. E) Participatory leadership: leader call for opinions and consultations from subordinate and the assembly evaluate different solutions in order to reach a consensus decision. F) Empowering: employee participation in the four organizational elements, namely information, rewards, the knowledge and power to make decision and knowledge is called empowering.

### **Research background**

By doing a research in which 189 counselors along with 25 administrators each of whom was representing a job unit, Williams (1990) pointed out that there is no significant relationship between the impression and feelings of subordinate for leadership style and efficiency criteria at all. By doing a research entitled leadership efficiency, an evaluation of leadership at the level of the senior officials of the Education Department of South Australia, Ferchaild (1983) found out that each style of leadership does not necessarily work as its efficiency is determined by a mutual relationship between special variables at a variety of situations. Obrian (2004) conducted a research on the intermediary role of psychological empowering between leadership and employee organization commitment in a sample of 540 individuals from a state hospital's heads. He explained that psychological empowering is as follows: empowering is an intrinsic motivation in the form of a set of knowledge, including competence, motivation, meaningfulness and autonomy, in order to reflect an individual's orientation toward the role of the individual in a job. In his master's thesis, Taleb Mohammadi (2003) dealt with the investigation of a relationship between the management styles and the secondary teachers' job satisfaction of Illam's high schools; it showed that there was a direct negative relationship between the styles, 1 and 2, as well as a direct positive relationship between the styles, 3 and 4. In his doctoral dissertation entitled 'leadership styles in Iranian organizations in 1994, Sohrab Kh. Schwerini obtained the following results: the theoretical assumptions of the leadership requirement are substantially consistent with the status of our country's current organization. Thus we can take advantage of all the guidelines of the requirement theory in order to improve performance and raise the efficiency of these organizations. The more independent the manager being tested, and the lesser bureaucratic regulations and instructions are at his work, the more orientation toward him the requirement model would develop.

### **Research hypotheses**

The main hypothesis: it seems that there is a significant relationship between Likert's leadership styles and staff empowering.

Sub-hypothesis 1: there is a significant relationship between Likert's autocratic leadership style and employee job empowering.

Sub-hypothesis 2: there is a significant relationship between Likert's benevolent leadership style and employee job empowering.

Sub-hypothesis 3: there is a significant relationship between Likert's consultative leadership style and employee job empowering.

Sub-hypothesis 4: there is a significant relationship between Likert's participatory leadership style and employee job empowering.

### **Materials and Methods**

In this study, the statistical population, with respect to locational aspect, consisted of the official and contracted employees of the Iran Insurance Company in the city of Hamadan, and it was

conducted, with respect to time aspect, in October 2013 in a field and surveying manner. The number of this population consisted of 114 individuals. Due to the limitation of this population as well as increasing accuracy and having access to the population, the entire statistical population was chosen as the sample of the research. In other words, the census sampling method (all counted) was used to estimate the number of samples. Besides, the sampling method was of simple random kind. The present research method is incorporated into applied research with respect to its kind and its nature based on a method as it is descriptive with survey kind in terms of its objective. Data collection was conducted as library and field study in this research. Library methods, such as reading books, articles, whether domestic and foreign, and using domestic and foreign related websites and the research projects conducted in the context relevant to the research, were used for designing the literature, theoretical framework and research background. The second method was to apply field studies with an attempt to collect data using questionnaire. The means of collecting data was a researcher-made questionnaire, which was designed with regard to the research literature and its background and a consultation with the management professors. The measurement scale of the research questionnaire was the likert's five-grade range; it was used mainly because of the convenience of using a variety of questions as well as the ability to statistically analyze the data collected. The questionnaire consisted of two parts as follows: A) management style assessment questionnaire with 24 questions, i.e. from question 1 through 7 it relates to the Likert's first management style, from question 8 through 12 it relates to the Likert's second system management style, from question 13 through 18 it relates to the Likert's third system management style, and from question 19 through 24 it relates to the Likert's fourth system management style. B) The questionnaire related to the employee job empowering which consisted of 20 questions was provided. In order to assess the formal validity which is related to the content of the questionnaire, the theories and the concepts related to leadership style and empowering and seeking opinions from management professors were used. Moreover, in order to assess the reliability of the questionnaire, the Cronbach's alpha coefficients were used along with SPSS software. Typically, the Cronbach's alpha coefficients range from 0 to 1, which zero depicts empty relationship and one means complete relationship. Thus, the reliability coefficient of the leadership style questionnaire in this research equaled to 83.0 as it was calculated as much as 75.0 for employee job empowering, which indicates a desirable reliability. In order to analyze the information in this study, descriptive and inferential statistics were used. The reason why descriptive statistics was used is to investigate the demographic variables of the research and for assessing the hypotheses of the statistics the inferential statistics included Kolmogorov-Smirnov test which was used for determining the normality of data as well as Pearson coefficient test.

## Results

With an attempt to use statistical techniques, we first need to know if the data collected were gone through normal distribution. It is because we can use parametric tests only when the data are considered to be normal for hypothesis testing. In case they are not normal, we can apply nonparametric tests. Therefore, in this section we review the results of Kolmogorov – Smirnov test with respect to each one of the research variables.

As seen in table (2), because the p-value is greater than the error value for all dimensions, so the variables have normal distribution. Thus we can use the Pearson correlation parametric test for investigating the relationships between the variables.

**The main hypothesis:** there is a significant relationship between Likert leadership styles and staff empowering.

The null hypothesis (H0): there is no significant relationship between the Likert leadership styles and staff empowering.

Converse hypothesis (H1): there is a significant relationship between the Likert leadership styles and staff empowering.

**Table 2. The result of Kolmogorov- Smirnov test**

Variable	N	Ks value	P value	Conclusion
Autocratic leadership	144	74/0	63/0	Normal
Benevolent leadership	144	10/1	17/0	Normal
Consultative leadership	144	25/0	08/0	Normal
Participatory leadership	144	02/1	24/0	Normal
Staff empowering	144	93/0	34/0	Normal

**Table 3. The results of the Pearson correlation test for the main hypothesis**

variables	N	R-value	Significance level
Likert's leadership style			
Staff empowering	144	56/0	000/0

As table 3 shows, since the significance level is less than  $P=0.05$ , there is a significant relationship with  $r=0.56$  degree between the Likert leadership styles and staff empowering in Iran Insurance Company. In other words, it can be claimed that the null hypothesis is ruled out and its converse hypothesis concerning the significant relationship between the Likert leadership style and staff empowering is hereby confirmed.

**First sub-hypothesis:** there is a significant relationship between the Likert autocratic leadership style and staff empowering.

Null hypothesis (H0): there is no relationship between the Likert leadership style and staff empowering.

Converse hypothesis (H1): there is a significant relationship between the Likert autocratic leadership style and staff empowering.

The Pearson correlation coefficient was used for testing the first sub-hypothesis. The results obtained are shown in table 4.

**Table 4. The results of the Pearson correlation test for the first sub-hypothesis**

variables	N	r-value	Significance level
Staff empowering			
Autocratic leadership style	144	34/0	000/0

As table 4 suggests, since the significance level is less than  $P=0.05$  value, there is a significant relationship with  $r=0.34$  degree between the Likert's autocratic leadership style and staff empowering in Iran Insurance Company. In other words, it can be claimed that the null hypothesis is ruled out and its converse hypothesis concerning the significant relationship between the Likert's autocratic leadership style and staff empowering is hereby confirmed.

**Second sub-hypothesis:** there is a significant relationship between the Likert's benevolent leadership style and staff empowering.

Null hypothesis (H0): there is no relationship between the Likert's benevolent leadership style and staff empowering.

Converse hypothesis (H1): there is a significant relationship between the Likert's benevolent leadership style and staff empowering.

The Pearson correlation coefficient was used for testing the second sub-hypothesis. The results obtained are shown in table 5.

**Table 5. The results of the Pearson correlation test for the second sub-hypothesis**

Variables	N	r-value	Significance level
Staff empowering			
Benevolent leadership style	144	59/0	000/0

As table 5 suggests, since the significance level is less than  $P=0.05$  value, so there is a significant relationship with  $r=0.59$  degree between the Likert's benevolent leadership style and staff empowering in Iran Insurance Company. In other words, it can be claimed that the null hypothesis is ruled out and its converse hypothesis concerning the significant relationship between the Likert's benevolent leadership style and staff empowering is hereby confirmed.

**Third sub-hypothesis:** there is a significant relationship between the Likert's consultative leadership style and staff empowering.

Null hypothesis (H0): there is no relationship between the Likert's consultative leadership style and staff empowering.

Converse hypothesis (H1): there is a significant relationship between the Likert's consultative leadership style and staff empowering.

The Pearson correlation coefficient was used for testing the third sub-hypothesis. The results obtained are shown in table 6.

**Table 6. The results of the Pearson correlation test for the third sub-hypothesis**

variables	N	r-value	Significance level
Staff empowering			
Consultative leadership style	144	51/0	001/0

As table 6 suggests, since the significance level is less than  $P=0.05$  value, there is a significant relationship with  $r=0.51$  degree between the Likert's consultative leadership style and staff empowering in Iran Insurance Company. In other words, it can be claimed that the null hypothesis is ruled out and its converse hypothesis concerning the significant relationship between the Likert's consultative leadership style and staff empowering is hereby confirmed.

**Fourth sub-hypothesis:** there is a significant relationship between the Likert's participatory leadership style and staff empowering.

Null hypothesis (H0): there is no relationship between the Likert's participatory leadership style and staff empowering.

Converse hypothesis (H1): there is a significant relationship between the Likert's participatory leadership style and staff empowering.

The Pearson correlation coefficient was used for testing the fourth sub-hypothesis. The results obtained are shown in table 7.

**Table 7. The results of the Pearson correlation test for the fourth sub-hypothesis**

variables	N	r-value	Significance level
Staff empowering			
Participatory leadership style	144	55/0	001/0

As table 7 suggests, since the significance level is less than  $P=0.05$  value, there is a significant relationship with  $r=0.51$  degree between the Likert's participatory leadership style and staff empowering in Iran Insurance Company. In other words, it can be claimed that the null hypothesis is ruled out and its converse hypothesis concerning the significant relationship between the Likert's consultative leadership style and staff empowering is hereby confirmed.

### Conclusion

In the light of the importance of this research, it was conducted with an attempt to investigate the effect of likert's leadership styles on the staff empowering of the Insurance Company. Among companies, the Iran Insurance Company in the city of Hamadan was chosen as the statistical population of the research; the sample number was determined by the all count method, the entire statistical population consisting of 144 individuals including all official and contracted staff. The results of the study are as follows in summary: the result of the main hypothesis of the research: the relationship between the Likert leadership styles and the staff empowering was examined by the Pearson correlation coefficient test, indicating that the main hypothesis concerning a strong significant relationship between the Likert leadership styles and the staff empowering was confirmed. The result of the first sub-hypothesis: the relationship between the Likert's autocratic leadership style and the staff empowering was examined by the Pearson correlation coefficient test, indicating that the first sub-hypothesis concerning a strong significant relationship between the Likert's autocratic leadership style and the staff empowering was confirmed. The result of the second sub-hypothesis: the relationship between the Likert's benevolent leadership style and the staff empowering was examined by the Pearson correlation coefficient test, indicating that the second sub-hypothesis concerning a strong significant relationship between the Likert's benevolent leadership style and the staff empowering was confirmed. The result of the third sub-hypothesis: the relationship between the Likert's consultative leadership style and the staff empowering was examined by the Pearson correlation coefficient test, indicating that the third sub-hypothesis concerning a strong significant relationship between the Likert's benevolent leadership style and the staff empowering was confirmed. The result of the fourth sub-hypothesis: the relationship between the Likert's participatory leadership style and the staff empowering was examined by the Pearson correlation coefficient test, indicating that the fourth sub-hypothesis concerning a strong significant relationship between the Likert's participatory leadership style and the staff empowering was confirmed.



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