

# The Effect of Transformational Leadership Style on Urban Supply Chain Governance in Ahvaz City

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**Abstract-** This paper reports a study of the effect of transformational leadership style on urban supply chain governance in Ahvaz city. We adopted a qualitative–quantitative approach to conduct interviews. Two survey questionnaires (for transformational leadership style and urban supply chain governance indicators) were used to collect data from managers and employees working in 8 municipal regions in Ahvaz city, Iran. In order to collect data for this study, our research sample are (N=205) working managers and employees. Our results suggest that transformational leadership style has a significant positive and direct effect on urban supply chain governance. Our findings also show a strong impact between transformational leadership style and participation as urban supply chain governance index. This study offers that extending leadership styles and their applications and influences in urban studies could have great importance, especially urban management and governance.

**Key word-** *transformational leadership, urban supply chain governance, participation, effectiveness, Ahvaz.*

## 1- Introduction

Three dimensions have been specified to organizational change. Those include change strategists, change implementers, and change recipients. Leadership can be considered as change strategists [1]. Leaders provide positive connections with followers enhance the organizational structure, improve decision – making process and, moreover, an organization development vision that has explained as a strategic transformation. In this way, they also make an efficient structure and

encourage followers to try organization's goals [2], [3]. According to [4], the definition of leadership can be of “manner of inspiring people to work together cooperatively to achieve great things or aims”. Transformational leaders are very inspirational and also help raise followers’ contribution to organizational efficiency. Due to the above features, transformational leadership can be compatible with the goals of urban supply chain governance. Governance as a social theory to improve urban management was raised after an urban development paradigm transition from Keynesianism to neoliberalism, Fordism to post-Fordism, managerial and organizational decentralization, and rising civil society. In fact, since 1990, this pattern has become a key issue in Europe and United States urban management [5]. Accordingly, urban supply chain governance is a participatory approach in the process of city management. In this approach, managing of cities is defined as the manner of communication and collaboration between public and private sectors and also various groups of actors who are considered as a civil society [6].

It is clear that transformational leadership will be able to realize the culture of participation in urban management and decentralization of the decision-making process among urban master managers and handling communication with other sectors. Therefore, transformational leaders facilitate this process through their features such as inspirational motivation, idealized influence, individual consideration, and intellectual stimulation [7], [8]. Generally, in the recent studies, the concept of leadership (mainly transformational leadership) has not been discussed in urban studies especially urban management. In particular, the study about the impact of leadership styles is not carried out on urban supply chain governance. Therefore, our study pursues to contribute to a better understanding of the mechanisms through which transformational leadership influences urban supply chain

governance. The results of this study will be useful in developing an appropriate urban management with the use of transformational leadership in governing of cities and managing of urban complexity problems. In addition, this study will help urban managers/supervisors to understand the importance of transformational leadership better in the use of this style in urban supply chain governance for guidance and better direction to effectiveness, equity, participation, accountability, and security in urban management process. Also, our research results can be efficient for urban managers and urban management decision- making structures in developing countries such as Ahvaz city that has a centralized management style.

According to other urban areas in Iran, having ‘up to down’ managing style is a main challenge in Ahvaz urban management for facing variation problems in the city development process. In this study, we tried to explain and examine the transformational leadership style effect on urban supply chain governance that both of them are required in Ahvaz urban management. Fig. 1 shows the conceptual model used in our study. Indeed, it indicated that the transformational-leadership style is positively related to effectiveness (H1), Equity (H2), Participation (H3), Accountability (H4) and Security (H5) by means of urban supply chain governance indexes.

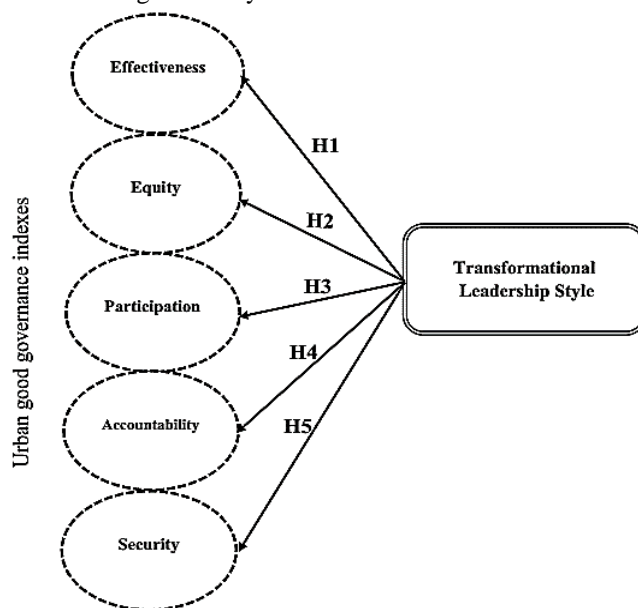


Fig. 1. Conceptual model.

## 2. Literature review

### 2.1. Transformational leadership style (TLS)

Definitions of leadership mainly refers to behavior, charismas, abilities and qualities of a leader [8], [9]. Grounded on these features, leaders are presumed to be different from managers. According to Bass’s definition of leadership, leaders can gain control and direct changes in the organization via creating a vision [10]. Transformational leadership is the perfect style to this matter in the organization. Because transformational leaders exert a profound influence on building a long-term vision for organization development aims. On the other hand, transformational leadership has three main goals to realize and to achieve transformation: having moral aims

that are more valuable than own ego, attention to reform and social change [11].

In accordance with studies that were done about transformational leadership, four dimensions have formed this leadership style: idealized influence, intellectual stimulation, inspirational motivation, and individualized consideration. The idealized influence that is defined as charisma, describe charismatic leaders who signify a robust role for underlings. This factor causes to raise of all followers’ loyalty and trustiness emotions. It is said that leaders who have idealized influence can through moral and spiritual comportment impact on their factions. So we can say that this factor gives rise to that leaders - expected changes and their vision for development of organization be accepted by subordinates. Intellectual stimulation is determined as possessing a leader who reinforces new

structures and creativity, in addition to critical thinking and problem-solving. Moreover, in this view, leaders try to promote decision-making ability among their own followers [12]. Inspirational motivation character in transformational leaders can create a strong incentive in their followers to attempt their own tasks beyond expectations or organization rules. As a final point, acknowledged a developmental direction and personalized responsiveness to followers as important features of individualized consideration that transformational leaders must do that. By means of Yukl points out in his research [13], features that appear in individualized consideration index to lead a supportive leadership or developmental leadership. Anyhow, individualized consideration contains supporting, reassurance and conducting of followers.

## 2.2. Urban supply chain governance (UGG)

According to most of the discussions about management, especially in urban areas in the late twentieth century, the main shift in urban management approach is from government to governance [15]. This modification has two messages: (a) governance is different from government and (b) governance is formed based on a procedure. The purpose of this shift is ‘decentralization’. Decentralization by means of urban supply chain governance gives emphasis to corporation among different sectors of society that is beyond urban government. So governance is the procedure of interplay and communication between the public sector and the various performers or groups of actors in ‘civil society’. Based on the theoretical literature on governance, the general concept of governance is the formation of connections and decision-making among government, civil society and markets. Hence, it is defined as a new formula of leading founded on a collaborative approach among city stakeholders. Healy, by relying on a “neo-institutionalism” view, believes that via governance approach institutions recourse to the values, principles and customs of a society, which take into account the nature of both official and non-official techniques of thinking to deal with their problems. There are two facts in all definition of governance. First, the transition from government to governance that focused on various networks of a group for collaboration and decision – making together. Second, the features of a supply chain governance that help to achieve sustainable management in cities. But what is supply chain governance? Governance strategies are defined as a “firm’s objective to attain operational and strategic efficiencies through collaboration among internal

functions and with other firms”. The various stakeholders that work together to encourage good governance are looking to ensure sustainability and Corporate Social Responsibility in the international system. These stakeholders have a vested interest in the capacity of the system to be sustainable and thus lobby for governance strategies that will support this goal. Different types of stakeholders will support the system in different capacities. Activist groups supporting a variety of causes are often engaged in promoting good governance. A guideline for ‘good governance’ has been developed by the United Nations Development Programme (UNDP). This outline was created in reference to democratic governance and the governance of human development. However, the principals are applicable to the global supply chain as well. The five main principals that are identified as critical for good governance are; legitimacy, direction, performance, accountability, and fairness. Legitimacy is the principal that the governance strategy is built on a consensus of participation. Corporations must allow stakeholders to be involved in the policy formulation process in the global supply chain and their objectives and concerns must be represented in the final governance strategy. Direction refers to the strategic vision that the corporation has for the supply chain. It identifies what the true goal of a governance strategy is (cost reduction, corporate social responsibility, etc.) [20].

## 3. Research method

### 3.1. Data collection and participants

The participants in our study were both managers and employees working in 8 regions municipality in Ahvaz city. They include managers of 8 regions in the city and also employees in charge of housing planning, urban renovation, planning and development, urban economy, transportation and urban services management. Based on city central municipality information, all managers and employees in 8 regions of the city were 3500 people. We selected 600 managers and employees randomly among our population to participate in the study. In this regard, our study conducted a paper-based survey to collect data from participants. Therefore, a total of 600 paper survey questionnaires were distributed to the all Ahvaz city region municipality managers and employees. Of the 600 participants that we invited to participate in the study, 205 (i.e. 34%) completed the questionnaire (see Table 1).

Table 1: Profiles of the participants

		N	Percentage
<b>Job classification</b>	Housing planning	37	0.18
	Urban renovation	34	0.16
	Planning and development	30	0.14
	Financial and investment	28	0.13
	Transportation development	39	0.19
	Urban services management	37	0.18
<b>Gender</b>	Male	112	0.54
	Female	93	0.46
<b>Work experience</b>	Less than 5 years	66	0.32
	5 to 7 years	54	0.26
	7 to 9 years	61	0.29
	More than 9 years	24	0.11
<b>Education</b>	Collage	41	0.2
	Bachelor	56	0.27
	Master	76	0.37
	PhD	32	0.16
<b>Age</b>	20-25	26	0.13
	26-30	34	0.16
	31-35	43	0.21
	36-40	66	0.32
	More than 40	36	0.18

### 3.2. Variable measurement

To enrich the validity and reliability of our study, all variables were measured by implements that had been formerly developed and used in the literature. In this regard for measuring transformational-leadership style, we used a questionnaire that was measured by using an eight-item scale developed by [18] and also has used the work of [19]. In order to measure urban supply chain governance, we used a questionnaire based on UN habitat measures of good urban governance that has come in the work of [20]. This questionnaire consists of a twenty six – items scale for 5 indicators of urban supply chain governance (effectiveness: 5 items; Equity: 4 items; participation: 5 items; accountability: 7 items and security: 5 items). All the study – variables items were measured on a seven-point Likert scale, with 1 “not used at all” to 7 “used to a great extent (see Appendix 1).

### 4. Result

To examine the validity of the suggested model and the hypotheses, we used structural equation modeling (SEM). To indicate how the structural model fits to data, based on Hair et al, main statistical indexes are normed Chi-square; GFI; CFI and RMSEA. In this regard, normed Chi-square’s value was 2.21, which is less than the cut-off point of 3; the GFI index was 0.923, which is greater than the cut-off point of 0.9; the CFI index value was 0.952, which is greater than the cut-off point of 0.9 and RMSEA was 0.064, which is less than the cut-off point of 0.8. According to Table 2, to evaluate convergent validity, we used composite reliabilities (CR) and average variance extracted (AVE). The value of the CR for all of the variables exceeded the 0.70 threshold. The value of AVE for all variables surpassed the 0.50 critical value. Also the square root of each AVE was compared to inter-variable correlations. These results can show complete support for variables validity [15].

Table 2: Composite reliability, average variance extracted, and square root of AVE

	CR	AVE	A	B	C	D	E	F
A. Transformational leadership	0.762	0.659*	<b>0.814</b>					
B. Effectiveness	0.723	0.619	0.521**	<b>0.726</b>				
C. Equity	0.782	0.678	0.503**	0.621**	<b>0.837</b>			
D. Participation	0.736	0.624	0.601**	0.532**	0.509**	<b>0.753</b>		
E. Accountability	0.741	0.638	0.518**	0.607**	0.542**	0.591**	<b>0.761</b>	
F. Security	0.712	0.608	0.157*	0.199*	0.169*	0.143*	0.138*	<b>0.717</b>

\*\*p < 0.01; \*p < 0.05.

Note: Square roots AVE shown in diagonal indicated with bold text.

After assessing the appropriateness of the model and evaluating convergent validity, we acted to test study hypotheses. Table 3 contains the results of the hypothesized relationships. SEM model was used to measure the effect of transformational leadership on

effectiveness (H1), equity (H2), participation (H3), accountability (H4) and security (H5). Per table 3, standardized regression weight with p-value designated the direction and magnitude of the significant influence of each path in the assessed model.

Table 3: Hypothesis testing with SEM model

Hypotheses				$\beta$	S.E.	C.R.	P Supported	
H1	TLS	→	EFF	0.541	0.186	4.031	***	Yes
H2	TLS	→	EQU	0.473	0.103	3.213	0.011**	Yes
H3	TLS	→	PAR	0.559	0.197	3.399	***	Yes
H4	TLS	→	ACC	0.416	0.094	2.177	0.016**	Yes
H5	TLS	→	SEC	0.219	0.078	1.706	0.038*	Yes

$\beta$ : Standardized Regression Weight S.E.: Standardized Error; C.R.: Critical Ratio; \*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001; TLS: transformational leadership style; EFF: effectiveness; EQU: equity; PAR: participation; ACC: accountability; SEC: security

In fact, the results presented in Table 3 indicate that there are positive and statistically significant relationships among the following variables: path (1) transformational-leadership style and effectiveness ( $\beta = 0.541$ ,  $p = 0.000$ ), path (2) transformational-leadership style and equity ( $\beta = 0.473$ ,  $p = 0.011$ ), path (3) transformational leadership

style and participation ( $\beta = 0.559$ ,  $p = 0.000$ ), path (4) transformational-leadership style and accountability ( $\beta = 0.416$ ,  $p = 0.016$ ), and path (5) transformational leadership style and security ( $\beta = 0.219$ ,  $p = 0.038$ ). These results support H1, H2, H3, H4 and H5. It should be noted that analytical findings demonstrate a strong effect between transformational-leadership style and effectiveness and also transformational leadership style and participation rather than other urban supply chain governance indicators, especially the transformational leadership style and security.

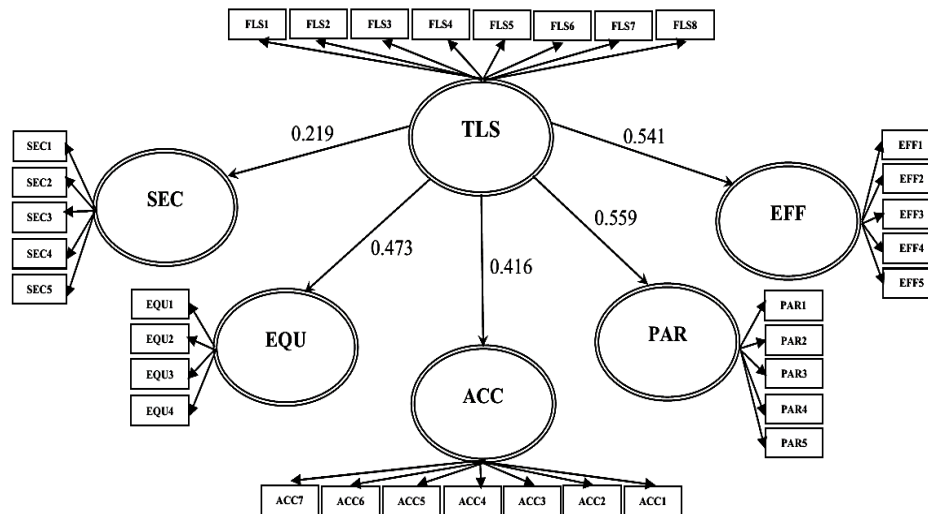


Fig.2: Structural results for transformational leadership and urban supply chain governance indicators relationship

## 5. Conclusion

### 5.1. Theoretical and managerial implications

This research spreads and validates transformational leadership in urban management studies by examining its effect on urban supply chain governance. Obtained results from this study revealed that transformational leadership has significant effects on effectiveness, equity, participation, accountability and security as urban good governance indicators. Particularly observed a strong effect between transformational leadership and participation rather than other urban good governance indicators that is the main key for changing centralized management style. In fact, in this study transformational leadership can be considered as behavioral change in organizational culture [14] which supports to realize urban supply chain governance in the event of structural change in urban management [18]. Per efforts made by international institutions (e.g., UN and World Bank) to comprehend and use urban supply chain governance, especially in developing countries [10], it is necessary to recognize good governance -transformative results to use and change management - centralized structure in developing countries urban area (e.g., Ahvaz city management as our study case). In this way, according to our findings, transformational leadership by means of behavioral change with accepting and using it by urban managers and policy-makers can reduce resistance against structural change like good governance and handle these change (supporting to realize effectiveness, equity, participation, accountability and security by way of structural modification patterns) in better form. In this

regard, one of the main challenges in Iran urban management process, especially in case of Ahvaz city has not yet been understood the need for structural and behavioral changes like our study variables. Also, our study result can create a way to aware and use transformational leadership style for managing changes that will be required to apprehend and try to exist a good governance pattern to urban management especially in Ahvaz city that had been involved with a centralized management style so far.

### 5.2. Limitation and future research

As with any research, our work has had some limits. Conforming to our method for collecting research data, we used self-report data so we did not have control over respondents' affiliations, emotions or evaluative insights. Consequently, there may be the probability that mono-source prejudice can distend or mislead the parameters of interest. Based on [20], social desirability bias means the participant's orientation toward an awareness of what is "correct" or socially admissible, may possibly affect variable means and cause misinforming results. In these situations, it is better to have alternate data sources. Another limitation of this study was lacking of related studies about leadership styles, especially transformational leadership in urban management literature in particular good governance. In this regard future researches should be extent leadership styles and study its applications and influences as behavioral change into urban studies principally in governance and management studies. Also, they can study on change's barriers in urban management

structures and innovations and that how leadership styles can facilitate and obviate them mainly in developing

countries urban area

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## Appendix 1

Items in the questionnaire
<b>Transformational leadership style: (from “not used at all” to 7 “used to a great extent)</b>
1. Displays power, confidence and ethics, 2. Centers on value, beliefs and a sense of mission, 3. Arouses subordinates' awareness about what is really important, 4. Talks positively about the future, 5. Has subordinates' respect, 6. Makes subordinates feel proud of the group, 7. Emphasizes the collective mission, 8. Talks enthusiastically about what needs to be accomplished.
<b>Urban supply chain governance (from “not used at all” to 7 “used to a great extent)</b>
<b>Effectiveness :</b> 1. Major sources of income, 2. Predictability of local budget transfers, 3. Published performance delivery standards, 4. Consumer satisfaction surveys, 5. Vision statement
<b>Equity:</b> 1. Citizens' charter, 2. Percentage of women councilors, 3. Pro-poor pricing policies for water, 4. Incentives for informal businesses
<b>Participation:</b> 1. Elected council, 2. Elected mayor, 3. Voter turnout, 4. Public forums, 5. Civic associations per 10,000
<b>Accountability : 1.</b> Contract, tenders, budget and account publication, 2. Protection from higher levels of government, 3. Codes of conduct for officials, 4. Facility for citizen complaints, 5. Anti-corruption commission, 6. Disclosure of income and assets, 7. Independent audit
<b>Security :</b> 1. Crime prevention policy, 2. Police services per 100,000, 3. Conflict resolution, 4. Violence against women policies, 5. HIV/AIDS policy