

Effects of Leadership Style on Health Care Organizational Performance: A Survey of Selected Tertiary Care Hospital in Karachi, Pakistan

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Abstract

Our study has explored the effects of leadership traits on organizational performance in hospitals and health care industry. The core objective of this study was to examine the effect of leadership traits and behavior on performance of hospitals. Transactional and transformational leadership traits were measured. Transformational leadership traits and performance/results measured relevantly in the study was leaders charisma, individual consideration and their inspirational motivation; extra effort, effectiveness, and satisfaction, in that order. Transactional leadership traits and performance/result variables were positive/contingent incentive or rewards and corrective actions/management by exception; and effort, productivity and commitment/loyalty, correspondingly. In this study we adapt a survey questionnaire, and employed evaluative quantitative analysis method. Analysis was based on primary data generated through a planned Multifactor Leadership Questionnaire (MLQ) administered on participants. The answers to research questionnaire were scaled on likert's scale and converted to quantitative data to enable segmentation of the data responses into the independent and dependent variables assumed on leadership traits and connected performance variables. The model which was used in the study was OLS linear regression model to estimate and evaluate the results. The result illustrates that although transformational leadership traits had positive effect on performance but it is insignificant while transactional leadership trait had an important constructive effect on organization and employees performance. The study also analyzed that transactional leadership trait was more suitable in inducing and enhancing performance in hospitals than transformational leadership style and, as a result, transactional leadership trait/behaviors is recommended for the health care organization/hospitals with integral policies and strategies for evolution to transformational leadership style as the hospitals matured, grew and developed.

Keywords: Leadership traits; Transactional and transformational leadership; Effects; Performance; Hospitals/Healthcare organizations

Introduction

The concept of leadership and trait may vary from one to other. The term "leadership" has been used in various human effort for example businesses, politics, academics, social works etc. where previous views about leadership show it as personal skill. Messick and Kramer [1] explore that the on which level of leadership traits it depends not only on his characteristics and personal abilities, but also it may affect characteristics of the circumstances and culture of organization. So the purpose of human beings to become members of an organization to achieve specific tasks, the degree to which they are active members depends upon how he is influenced that his membership will facilitate him to accomplish his predestined objectives.

That is why, a personality will sustain an organization if he thinks that all the way through his personal task and objectives may be achieve; if he did not, then his interest will be down. Leadership technique in an organization is the main foundations that affect it in very significant way in attraction or retard of the interest and his commitment with the organization. So, Glantz [2] emphasizes on the need for a manager to find his leadership trait.

Among the objectives of any health care organization are primarily to serve humanity, increase health level and secondly is the profit making and to maintain its status. To achieve it health care organization allocates insufficient resources to challenging ends. During this process they maintain humans' health and provide employment, provide services, purchase equipment, drugs and other goods and services and, therefore, contribute to in increasing health status and the growth of the society and economy at large. Unamaka observes that in most hospitals settings, the effectiveness of this process is greatly determined by the patient satisfaction and availability of access to employees, operation departments, equipment, supplies to their immediate community and the nation at large.

The research support the concept of leadership as defined by Taffinder and, therefore, reflect on leadership within the context of a hospitals as the action of managers of hospitals to contribute their best to the purpose for the organization. This study was conducted in three large health care organizations of Karachi and ten employees from each hospital.

From this point of view, this paper is proposed to estimate the effect of leadership trait on the performance of health care organization, contribute to observed researches on leadership traits and organization performance, and will suggest the policies and procedures through quantitative approach for the hospitals in order to contribute in society and nations economic growth.

Literature Review

Leadership approaches and performance

In the field of organizational literature, leadership is recognized as a vital subject when considering literature. During individual and organizational interaction, leadership has the most dynamic effects where the ability of the management to execute "collaborated efforts" depends on leadership capability. Leadership can be explained as the

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behavior of an individual to guide a group to achieve the common target.

“Excellent leader does not only inspire potential of subordinates to increase their efficiency but also fulfill their requirements in a process of obtaining and achieving organizational goals” [3].

There are many reasons that leadership approaches and organizational performance must have relationship. Foremost because today, the market is dynamic and demanding and features novelty based struggle, price/performance competition, diminishing revenues, and inventive demolition of modern competencies.

Organizational performance mean the ability of an organization to achieve the objectives of increased profits, enhanced quality product, greater market share, financial results, and survival using relevant strategy for action.

Organizational performance also explains the role of enterprise in terms of level of profit, market share and product quality as compared to other enterprises in same industry. Basically it is a reflection of efficiency of members of an enterprise measured in terms of revenue, profit, development and growth of the organization. To identify and realize the effects of leadership on performance is important because leadership is observed by some scholars as one of the dynamic forces for improving the performance of a firm.

Effective leadership is seen as a potent source of management development and sustained competitive advantage for organizational performance improvement [4,5]. Transactional leadership helps organizations achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring that employees have the resources needed to get the job done.

Visionary leaders create a strategic vision of some future state, communicate that vision through framing and use of metaphor, model the vision by acting consistently, and build commitment towards the vision. Visionary leadership will result in high levels of cohesion, commitment, trust, motivation, and hence performance in the new organizational environments.

Team leaders are understood to play a vital role in determining collective standards, helping teams manage with their situations, and organizing collective accomplishment. A longstanding approach for an effective organization is to focus on the effects of their leadership. This leader-centered approach has provided cherished understandings into the association between leadership and team performance.

The planned role of leadership can be used to examine on how to engage leadership models and use leadership behavior to progress organizational performance. The intangible assets such as leadership styles, culture, skill and competence, and motivation are key sources of strength in firms that can combine people and processes and organizational performance. The missing liaison in understanding the connection between leadership and organizational functioning conclude that despite a theorized leadership-performance relationship proposed by some scholars, current findings are unconvincing and hard to understand.

From the above discussion, it is clear that although some scholars propose that leadership augments organizational performance while others contradict this, different ideas of leadership have been employed in different studies, making direct judgments almost impossible. Consequently, the current study is envisioned to again inspect the proposed leadership-performance relationship.

Theories on Leadership

The most prominent among the various theories of leadership and motivation relating to effective organizational change management is the “transformational-transactional” theory of leadership. As per the theory, there are two factors to differentiate “ordinary” from “extraordinary” leadership: transactional and transformational leadership.

Transactional leadership is based on conventional exchange relationship in which follower’s attitude; his efforts, productivity, and loyalty are exchanged for anticipated rewards, whereas transformational (extraordinary) leaders raise follower’s awareness levels about the status and worth of designated results and ways of accomplishing them. They also motivate followers to exceed their own immediate self-interest for the sake of the goal and vision of the organization. Such engagement (emotional, intellectual and moral) boosts followers to progress and perform beyond expectations.

Transformational leadership implicates the process of manipulating major changes in organizational attitudes in order to achieve the organization’s goals and objectives. While Transactional leaders work their organizational cultures following prevailing rules and procedures, transformational leaders modify their cultures based on a new vision and a revision of shared expectations, values and norms. A leadership of an organization is a critical factor in determining its successful change when it must adapt to changes in technology.

Transformational leadership

A transformational leader’s behavior instigates in the personal values and beliefs of the leader and motivates people to do more than expect. Transformational leadership is a process where, “one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality”.

In transformational leadership, the devotee feels faith, respect, loyalty and admiration towards the leader, and is motivated to do more than what was actually expected of him to do. The transformational leader motivates by making follower more aware of the importance of task consequences, encouraging them to exceed their own self-interest for the sake of the organization or tea. He encourages followers to think critically and seek new ways to approach their jobs, resulting in intellectual stimulation. Consequently, their level of performance, satisfaction, and commitment to the goals of their organization is increased.

Charismatic behavior also persuades followers to go beyond self-interest for the good of the group, providing reassurance that problems will overcome. Followers place an inordinate amount of confidence and trust in charismatic leaders. Due to their charismatic attributes, the leader is characterized by vision and a sense of mission, gaining respect and trust from their followers.

Inspirational motivation is concerned with a leader defining higher standards. Followers look up to their inspirational leader to increase awareness and understanding of mutually desirable goals. It is characterized by the communication of high expectations, using signs to focus on struggle, and expressing central purpose in much simpler ways. The leader always talks optimistically about the future; he articulates a compelling vision for the future and provides an exciting image of organizational change. The motivation occurs by providing meaning and challenge to the followers work; individual and team spirit are aroused and enthusiasm and optimism are displayed. The

leader encourages followers to envision attractive future states, for the organization and themselves.

Intellectual stimulation delivers followers with challenging new concepts and encourages them to break away from obsolete ways of intellectual. The leader is characterized as one promoting intelligence, wisdom, cogent, and cautious problem solving. The leader encourages the followers to be pioneering and creative by questioning assumptions, reframing problems, and approaching obsolete situations in new ways.

Individual consideration is another dimension of transformational leadership which is concerned with developing followers by training and mentoring. The leader pays attention to inter-individual differences among his followers and acts as a mentor to his follower. He preaches and assists his followers to develop their strengths, and pays close attention to their concerns. Followers are treated individually in order to increase their stages of maturity and to improve effective ways of addressing their goals and trials.

Transactional leadership

An exchange procedure in which follower agree with leader's request but is not likely to make enthusiasm and commitment to task goal can be defined as Transactional leadership. The purpose of the transactional leader is to make sure that the path to accomplishment of objective is clearly understood by the people, to eradicate potential hindrance within the system, and to inspire the people to achieve the scheduled goals.

The leader focuses on having internal actors perform the tasks required for the organization to reach its desired goals [6]. Both constructive behavior and corrective behaviors are exhibited by transactional leadership. Constructive behavior involves conditional reward, and corrective dimension includes management by exception. Conditional reward involves the clarification of the work required to obtain rewards and the use of incentives and empirical reward to employ influence. Followers expectations and offers recognition when goals are achieved are considered in conditional rewards.

The clarification of goals and objectives and providing of recognition once goals are achieved should result in individuals and groups achieving expected levels of performance [7]. Active management by exception refers to the leader setting the criteria for deference as well as for what constitutes ineffective performance, and may include punishing followers for non-compliance with those standards. This style of leadership implies monitoring for eccentricities, mistakes, and faults and then taking remedial action as quickly as possible when they happen.

Hypotheses

Hypothesis 1: There is no relationship between leadership style and performance in health care organizations.

Hypothesis 2: The leadership style does not any significant effect on performance in the health care organizations.

Research Methodology

This research paper is on based on primary data generated through a structured questionnaire. The instrument used is the Multifactor Leadership Questionnaire (MLQ) developed by Bass in his research: 'Leadership and Performance beyond Expectations. Mostly this instrument is used for measuring the effects of leadership styles and outcomes. The version which was used in this research is the well-liked

MLQ Form 5x-Short. The dependent variables are the outcomes: extra effort, effectiveness and satisfaction while the independent variables are the transformational and transactional leadership styles. So, the questions in the questionnaire are those relating to leadership styles or traits and performance as calculated by extra effort, effectiveness and satisfaction; effort, productivity and loyalty or commitment which are projected by Bass and House et al. [8,9]. The study provides all these variables to estimate the effect of leadership traits or behavior on performance of health care organizations in the city of Karachi (survey area). In the MLQ, each dependent and independent variable is given equal weighting on likert's scale. Each research question has five possible answers, ranging from "strongly disagree" to "strongly agree" and is scaled from 1 to 5.

Three health care organizations were initially selected through stratified random sampling technique, 10 from each hospital and total 30 samples from health care organizations of Karachi [10-13]. The health care organizations which were selected were tertiary care. Ten respondents were randomly selected from each of these three organizations for a sample size of thirty (30) respondents. A test which was conducted on sample demonstrated that leadership style in two hospitals was transactional, while the leadership style in the third hospital was transformational. The study concerted on the two leadership styles. The questionnaire was administered to the Participants with directions to how fill them. All were returned filled out and the response was with return rate of 100%.

Correlations and ordinary least squares (OLS) linear regression analysis models were used to examine the hypotheses on the subject of the relationship among the respective leadership style and performance procedures of the health care organizations [14-18]. The hypotheses are examined through evaluation of relevant information related with the statistical values of model parameters in the tables.

Research hypotheses

In this study the null hypothesis was that there is no relationship between leadership style and performance, and that the respective leadership styles do not any significant effect on performance in the health care organizations.

So, the first hypothesis relates to relationship between leadership style and performance in the health care organization, while the second and third relate to effects of transformational and transactional leadership styles on employee/organizational performance.

Pros and cons' relationship, model specification and the correlation coefficient

Regression model of the functional relationship between leadership style and performance assist assessment of effect of leadership style on organizational performance.

Function relationship

From the supposed relationship among leadership style and performance, functional relationships and associated regression models were particularly selected for the transformational and transactional leadership traits, correspondingly.

$$PSE_{TFLS} = f(\text{CHM, ISM, ISC})$$

$$PSE_{TSLs} = f(\text{CCR, CME})$$

Where:

PSE_{TFLS} = Performance in health care organizations with the transformational leadership style. It is a compound of Effectiveness, Extra Effort and Satisfaction.

PSE_{TSL} = Performance in health care organizations with transactional leadership style. It is a composite of Effort, Productivity and Loyalty/Commitment.

CHM = Charisma

ISM = Inspirational motivation

ISC = Intellectual stimulation/individual consideration

CCR = Constructive/contingent reward

CME = Corrective/management by exception

$$= \alpha_0 + \alpha_1 CHM + \alpha_2 ISM + \alpha_3 ISC + \mu = \beta_0 + \beta_1 CCR + \beta_2 CME + \mu$$

Where α_0 and β_0 are the constants, which represent performance of health care organizations which is independent of the particular leadership traits, α_1 , α_2 , and α_3 ; β_1 , β_2 and β_3 are the model coefficients representing effect of the particular leadership traits on the organizational performance.

μ is a sample error or random variable commenced to hold effect of other factors that affect organizational performance within or outside the leadership traits which are not related or not included in the model.

Data Analysis

Effect of leadership style on performance

To determine the relationship between leadership style and organizational performance, and subsequently evaluate the effect of leadership style on performance, average performance response variables are regressed on leadership behavior variables shown in Table 1.

Kurtosis

The Kurtosis shows peakness of a curve. The value of kurtosis is positive for Charisma (CHM), Individual Consideration (ISC), Performance through Transformational Leadership Style (TRANSF) and Corrective/ Management by Exception (CME) and Performance through Transactional Leadership Style (TRANSAC), therefore we can say that data is spread towards upward for these variables as shown in Table 2.

The value of kurtosis is negative for Inspirational motivation (ISM) and Constructive/contingent reward (CCR), therefore we can say that data is spread towards downward for these variables.

Skewness

Skewness shows scatterness of curve. If it is positive then rightly skewed means more values on left and vice versa. If kurtosis and skewness are 0 then data is not normally distributed. Charisma (CHM), Inspirational motivation (ISM) and Performance through Transactional Leadership Style (TRANSAC) values are positive therefore, it shows that these are positively skewed mean more values on left.

Individual Consideration (ISC), Performance through Transformational Leadership Style (TRANSF), Constructive/contingent reward (CCR) and Corrective/ Management by Exception (CME) values are negative therefore; it shows that these are negatively skewed mean more values on right as shown in Table 3.

If Konglomorov score is less than 0.05; then data is not normally distributed. In this data set all variables have a Konglomorov score of more than 0.05; therefore, we can say that the data is normally distributed.

Correlation

a. Transformational style: The outcome of the correlation analysis shows that the Performance with Transformational Leadership Style (PSE_{TFLS}) has a positive but weak relationship with the Charisma (CHM) in the context of private hospitals in Karachi. (Here $r = 0.123$, significant $p < 0.05$ as shown in Tables 4-6 and Figures 1-4.

The outcome of the correlation analysis shows that the Performance with Transformational Leadership Style (PSE_{TFLS}) has a moderately

PSE (TFLS)	CHM	ISM	ISC	PSE (TSL)	CCR	CME
3.27	3.6	3.6	3.4	2.13	3.5	3.86
3.47	3.6	3.4	2.6	2	3.75	3.14
3.4	3.4	3.4	3.4	2.4	3.63	3.71
3.6	3.6	3	3.4	2.13	3.75	3.86
3.47	3.8	4	3.6	2.07	3.88	3.86
3.53	3.6	3.2	3.4	2.2	3.75	3.57
3.6	3.6	3.6	3.6	2.13	3.63	3.57
3.6	3.6	3	3.8	2.13	3.63	3.71
3.67	3.6	3	3.8	2.33	3.75	4
3.53	4	3.6	3	2.73	3.75	3.57
3.27	3.6	3.6	3.4	2.13	3.5	3.86
3.47	3.6	3.4	2.6	2	3.75	3.14
3.4	3.4	3.4	3.4	2.4	3.63	3.71
3.6	3.6	3	3.4	2.13	3.75	3.86
3.47	3.8	4	3.6	2.07	3.88	3.86
3.53	3.6	3.2	3.4	2.2	3.75	3.57
3.6	3.6	3.6	3.6	2.13	3.63	3.57
3.6	3.6	3	3.8	2.13	3.63	3.71
3.67	3.6	3	3.8	2.33	3.75	4
3.53	4	3.6	3	2.73	3.75	3.57
3.27	3.6	3.6	3.4	2.13	3.5	3.86
3.47	3.6	3.4	2.6	2	3.75	3.14
3.4	3.4	3.4	3.4	2.4	3.63	3.71
3.6	3.6	3	3.4	2.13	3.75	3.86
3.47	3.8	4	3.6	2.07	3.88	3.86
3.53	3.6	3.2	3.4	2.2	3.75	3.57
3.6	3.6	3.6	3.6	2.13	3.63	3.57
3.6	3.6	3	3.8	2.13	3.63	3.71
3.67	3.6	3	3.8	2.33	3.75	4
3.53	4	3.6	3	2.73	3.75	3.57

Table 1: Average leadership behavior and performance measure variables.

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
CHM	30	3.64	1.146	0.427	1.589	0.833
ISM	30	3.38	0.335	0.427	-0.719	0.833
ISC	30	3.4	-1.095	0.427	0.706	0.833
TRANSF	30	3.514	-0.804	0.427	0.157	0.833
CCR	30	3.702	-0.336	0.427	-0.007	0.833
CME	30	3.685	-1.031	0.427	0.971	0.833
TRANSAC	30	2.225	1.492	0.427	1.631	0.833
Valid N (listwise)	30					

Table 2: Descriptive statistics.

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
CHM	0.404	30	0	0.718	30	0
ISM	0.182	30	0.013	0.874	30	0.002
ISC	0.3	30	0	0.834	30	0
TRANSF	0.177	30	0.018	0.898	30	0.007
CCR	0.282	30	0	0.857	30	0.001
CME	0.212	30	0.001	0.857	30	0.001
TRANSAC	0.278	30	0	0.79	30	0

^aLilliefors Significance Correction

Table 3: Tests of Normality.

	CHM	ISM	ISC	TRANSF
CHM	1	0.440*	-0.231	0.123
		0.015	0.218	0.518
	30	30	30	30
ISM	.440*	1	-0.22	-0.540**
	0.015		0.244	0.002
	30	30	30	30
ISC	-0.231	-0.22	1	0.348
	0.218	0.244		0.059
	30	30	30	30
TRANSF	0.123	-0.540**	0.348	1
	0.518	0.002	0.059	
	30	30	30	30

*. Correlation is significant at the 0.05 level (2-tailed).

Table 4: Correlations (a. Transformational style).

		CCR	CME	TRANSAC
CCR	Pearson Correlation	1	-0.058	0.027
	Sig. (2-tailed)		0.763	0.888
	N	30	30	30
CME	Pearson Correlation	-0.058	1	0.114
	Sig. (2-tailed)	0.763		0.548
	N	30	30	30
TRANSAC	Pearson Correlation	0.027	0.114	1
	Sig. (2-tailed)	0.888	0.548	
	N	30	30	30

Table 5: Correlations (b. Transactional style).

PSE_{TFLS} = 2.647	+ 0.371CHM	- 0.243ISM	+ 0.1ISC
SE	(0.111) *	(0.052) *	-0.044
T-statistic	-3.339	(-4.634)	-2.268
Prob (t-stat)	-0.003	0	-0.032
R2 = 0.543			

*Confidence Interval 95%

Table 6: Transformational style.

negative relationship with the Inspirational Motivation (ISM) in the context of private hospitals in Karachi. (Here $r = 0.54$, significant $p < 0.05$)

The outcome of the correlation analysis shows that the Performance with Transformational Leadership Style (PSE_{TFLS}) has a positive but weak relationship with the Intellectual stimulation/individual consideration (ISC) in the context of private hospitals in Karachi. (Here $r = 0.348$, significant $p < 0.05$)

b. Transactional style: The outcome of the correlation analysis shows that the Performance with Transactional Leadership Style (PSE_{TLSL}) has a positive but weak relationship with the Constructive/contingent reward (CCR) in the context of private hospitals in Karachi. (Here $r = 0.027$, significant $p < 0.05$ as shown in Tables 5 and 7)

The outcome of the correlation analysis shows that the Performance with Transactional Leadership Style (PSE_{TLSL}) has a positive but weak relationship with the Corrective/management by exception (CME) in the context of private hospitals in Karachi. (Here $r = 0.114$, significant $p < 0.05$) and Figures 5-7.

Estimated models and discussion

The estimated models are showing that the coefficients are consistent with expectations, except for inspirational motivation (ISM). These are showing that while other leadership behaviors are having a positive effect on performance, Inspirational Motivation (ISM) is having a negative effect.

Consequently, it can be extracted in the health care organizations that transactional leadership style has significant positive effect on performance. A possible reason for this is that the employees of health

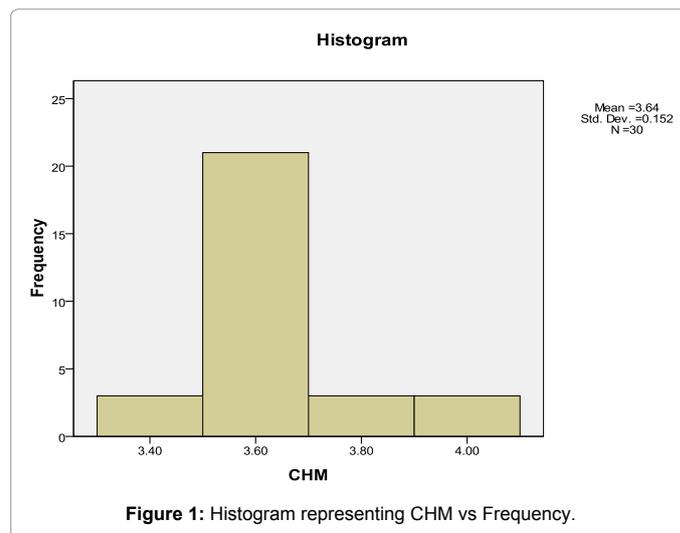


Figure 1: Histogram representing CHM vs Frequency.

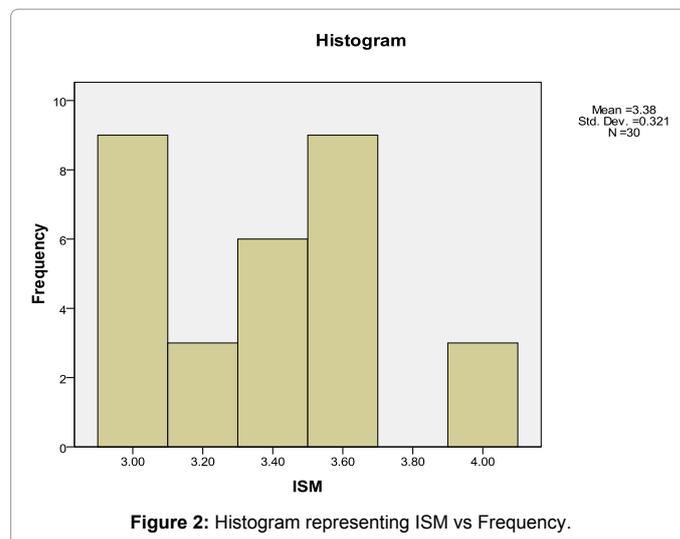
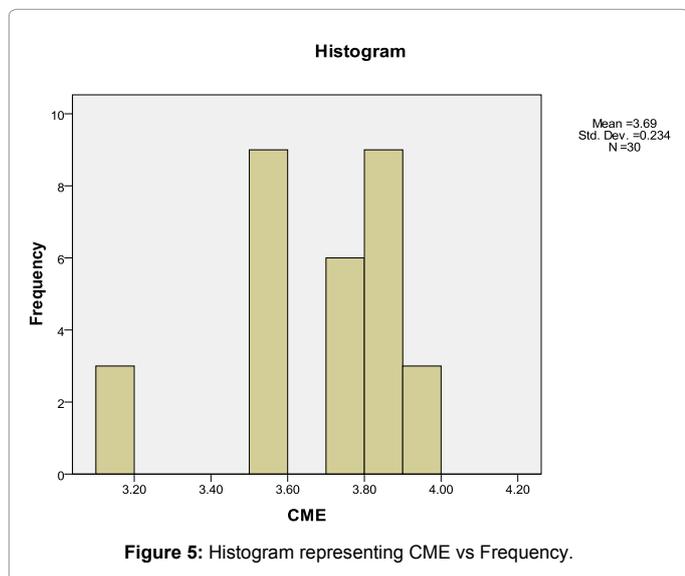
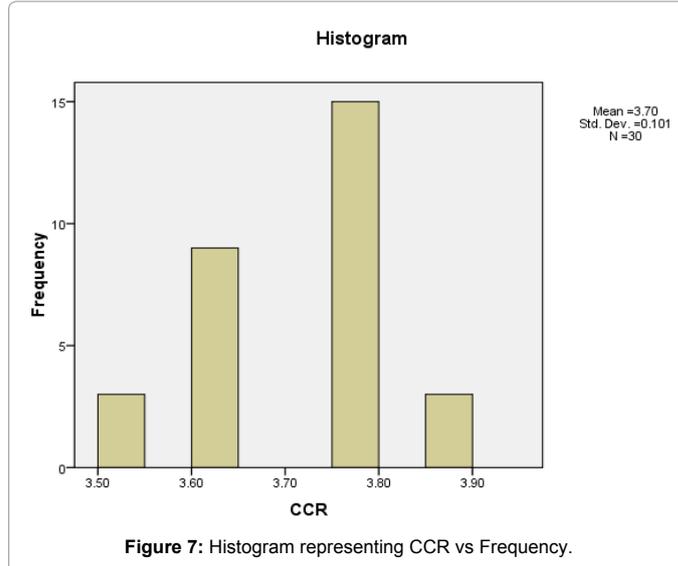
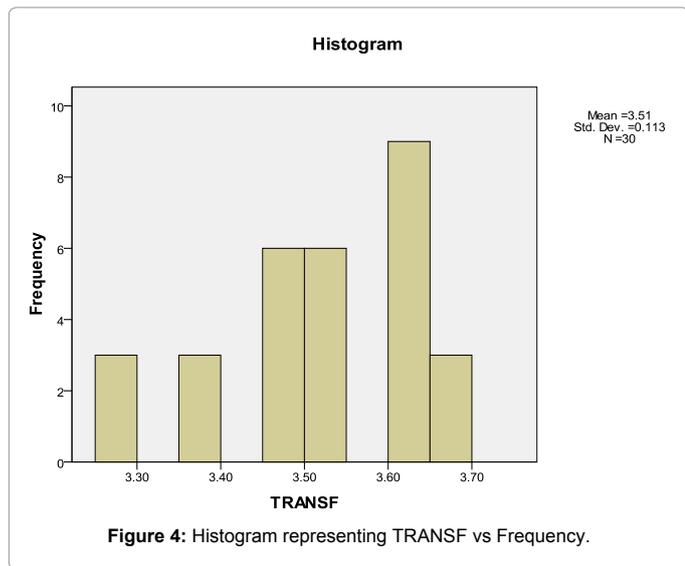
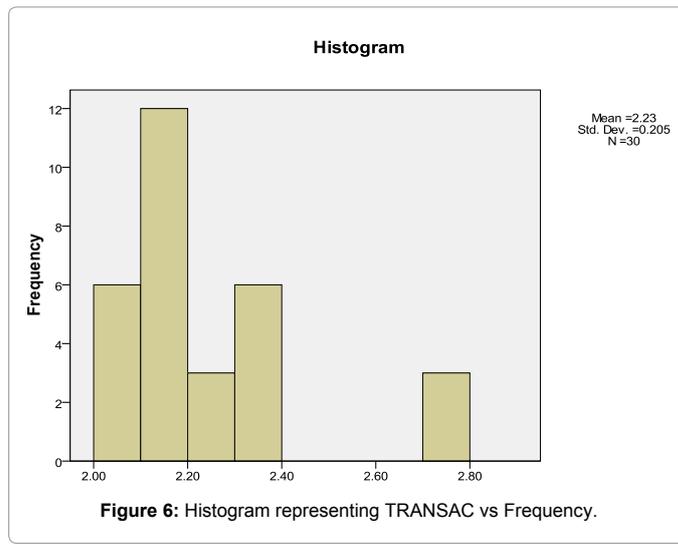
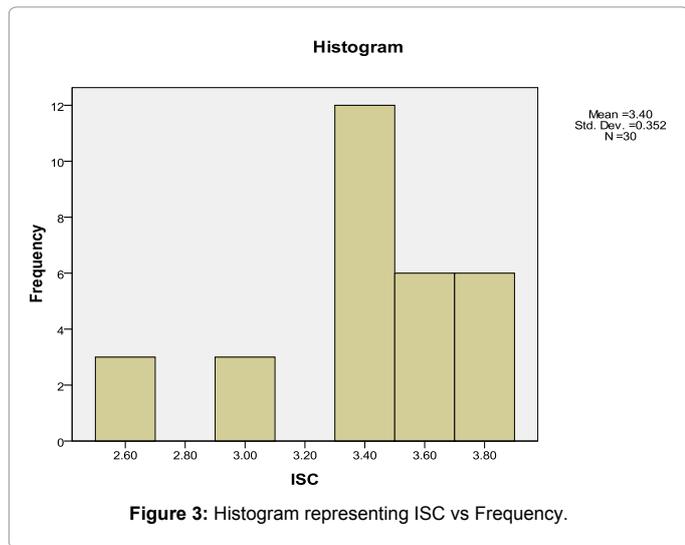


Figure 2: Histogram representing ISM vs Frequency.



PSE_{TSL} = 1.598	+ 0.068CCR	+0.102CME
SE	(0.387) *	(0.168) *
T-statistic	(0.175)	(0.607)
Prob (t-stat)	(0.325)	(0.549)

*Confidence Interval 95%

Table 7: Transactional style.

care organizations are usually experienced professionals. Therefore, contingent recognition/reward and management by exception rather than charisma, inspirational motivation and intellectual stimulation/individual consideration could be appropriate leadership behaviors and strategies to induce them to perform [19-23].

Conclusion

In this study we calculate and analyzed the effect of leadership traits on organizational performance in selected three hospitals. The investigation has find that each one of traits like charisma and individual consideration or intellectual stimulation of transformational leadership style are positive but has very low effect so it has insignificant

effect on employees and organizational performance while the other traits like inspirational motivation was negative and also insignificant for the performance. So, these traits are not explaining the variations in performance while on the other side, each trait of transactional leadership style measured in this research were significant, constructive/contingent reward and corrective management by exception has very important and strong effect on employees and organization performance, and both are defining very big section of variations in the performance. Consequently, it can be extracted in the health care organizations that transactional leadership style has significant positive effect on performance. A possible reason for this is that the employees of health care organizations are usually experienced professionals [24,25]. Therefore, contingent recognition/reward and management by exception rather than charisma, inspirational motivation and intellectual stimulation/individual consideration could be appropriate leadership behaviors and strategies to induce them to perform. The study also implies that the transactional leadership style is an appropriate and more suitable in obtaining results and inducing performance in hospitals rather than transformational leadership style. As a result, the study makes recommendation that hospitals should adopt the transactional leadership traits and style but strategies to transfer and reflect the transformational leadership style as their organizational development and boost.

Recommendations

This study recommends and suggests that more researches can be conducted in the Karachi to examine the effect of leadership traits and behavior on performance of other industries in Karachi and to explore primary and secondary health care centers. There is also need to check the effect of leadership traits on Patient satisfaction, services quality and employee's satisfaction in hospitals, as these areas can help to increase the health care quality and will emphasize of the provision of effective, monitored and safe care in Karachi. The study also implies that the transactional leadership style is an appropriate and more suitable in obtaining results and inducing performance in hospitals rather than transformational leadership style. As a result, the study makes recommendation that hospitals should adopt the transactional leadership traits and style but strategies to transfer and reflect the transformational leadership style as their organizational development and boost. The finding of study can also be used as a guideline for health care managers and administrators as it will help them in performance improvement.

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