

Transformational Leadership and Corporate Social Responsibility: the UAE Experience

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Abstract

Conceptually, it was proven that transformational leadership is a supportive tool to the development of strategies that enable accomplishment of common goals. This paper will discuss the effectiveness of transformational leadership in implementing corporate social responsibility strategies. The study is based on testing and conducting research in only one organization in the field of sports management and organizing different sports activities for the UAE community. The study uses the Bass's model of transformational and transactional leadership (1985) with focusing on transformational leadership model.

1. Introduction

An organization is no longer considered a simple entity designed for profitability; it also has duties and responsibilities to the public that it is expected to uphold as well as its financial objectives. Transformational leadership theory is the most connected theory to the concept of considering other groups of the community. In order for an organization to take such decision and implement strategies that would support social responsibility concept, their leaders should have certain characteristics and skills.

Purpose of Study & Defined Objectives

The main objective of the study is to test the relationship between the transformational leadership in the chosen UAE organization and the company's CSR orientation. In order to test this relationship, we will be testing the existence of the four dimensions of transformational leadership as well as the existence of the CSR strategies. The importance of CSR integration as well as other sustainable developments for economic, social and environmental factors is growing (Elkington, 1997). Therefore, conducting different sort of research that links the two topics of leadership and CSR together is necessary. The relationship between the leadership characteristics and CSR practices is not clearly defined, and future research about the topic is always needed (Turner et al., 2002).

Hypothesis

Based on the above needs and objectives, the following research hypotheses are established:

Hypothesis 1: *The leader of the organization has the transformational quality of intellectual stimulation.*

Hypothesis 2: *The leader of the organization has the transformational quality of individualized consideration.*

Hypothesis 3: *The leader of the organization has the transformational quality of inspirational motivation.*

Hypothesis 4: *The leader of the organization has the transformational quality of idealized influence.*

Hypothesis 5: *The organization has implemented CSR strategies.*

Hypothesis 6: *The transformational leadership of the top management and the organization's orientation to CSR has a positive relationship.*

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Research Methodology

The company chosen for the study has around 200 employees where 70% of them are Emiratis and the rest of the 30% are expatriates. The structured questionnaire was randomly distributed to 50 employees in the organization. However, only 30 filled questionnaires were returned. The questionnaire addresses the four factors of transformational leadership, CSR, and Demographics.

Transformational and Transactional Model of Leadership

The transformational leadership concept was developed by Bass (1985). This study focuses on transformational leadership because transactional leadership represents a behavior of supervision over the performance of employees, rather than adopting social and cultural concepts such as CSR (Waldman et al., 2006). The four dimensions of the transformational leadership were developed by Bass (1985) in order to conceptualize the theory. The four dimensions are: Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration. Transformational leaders inspire others through a vision. Followers identify themselves with the leader's vision and see it in an idealized way that empowers them (Bass and Avolio 2008). This dimension was originally called charisma (Bass, 1985). But as the term charisma is attached to a special doctrine or religion, the term was replaced by idealized influence (Bass and Avolio 2008). Transformational Leaders provoke positive energy and support the positive expectations of what need to be done (Bass and Avolio 2008). Transformational leaders remain intellectually stimulated that they become able to conceptualize and address to others any weaknesses that are threatening the organization (Bass and Avolio 2008). They work on satisfying these needs in addition to expanding other needs that would help the followers to succeed and become a leader (Bass and Avolio 2008).

Ethical Integrity of Leadership

Transformational Leaders are in charge of their own ethical behaviors (Howell and Avolio, 1992). According to Burns (1978), morals and ethics have a positive influence on both leaders and followers. Studies showed that leaders with high level of morality tend to show transformational behaviors (Turner et al., 2002).

The Role of CSR in Strengthening Leadership

A research paper published in 2008 by Robin Guarnieri & Tina Kao from Hewitt Associate discussed the utilization of CSR as a competitive advantage at the Top Companies for Leaders around the world, based on a study conducted in 2007 about. The study found that Top Companies for Leaders value the CSR concepts and strongly implement it into their strategies.

Duties and Responsibilities of Business Organizations

Duties to the Shareholders

Leaders are obliged to act in ways that ensure financial growth (Litic, 2009). However, making a profit cannot be the only focus of a business though it is considered to be the main factor in any economic establishment (Cragg, 2009).

Community Responsibility

The obligation of leaders is to let a business establishment work in ways that leave a positive impact on the community (Vogel, 2005). The level of acceptance that a company is able to enjoy from the community in which it is based will have a long-lasting effect on its ability to make profits. The community in which a company operates is the source of revenue for the business (Crowther, 2008).

Responsibility to the Government

The government holds an advantage over community relations as all requirements of a company have been clearly stated out in the laws and regulations (Crane, 2008).

The Merging of Duties and Responsibilities

The need for directors to ensure that all the duties and responsibilities required of the business are met can be achieved through their merger in a bid to guarantee that every group is aware of the duties that are not only owed to themselves, but to other groups as well. This merger is not an easy task as it requires the drawing up of communication lines that allow for the relay of information from one group to another (Schreck, 2009).

Role of Directors

This is mainly relevant when a crisis has occurred and requires an early solution to avoid consequences that can affect the overall performance of the company (Winfield, 2015).

Table 1: Transformational leadership characteristics of the leader

	<i>Strongly Agree</i>	<i>Agree</i>	<i>Neutral</i>	<i>Disagree</i>	<i>Strongly Disagree</i>
Leads you to look at problems from different perspectives	26.7%	53.3%	20%	-	-
Helps you to develop your strengths	23.3%	46.7%	16.7%	10%	3.3%
Invests their time teaching and training	10%	36.7%	30%	23%	-
Considers each individual as having needs, capacities and different aspirations of others	16.7%	40%	26.7%	16.7%	-
Speaks optimistically about the future	13.3%	43.3%	30%	10%	3.3%
Talks enthusiastically about what needs to be done	16.7%	46.7%	26.7%	10%	-
Expresses confidence that the goals will be achieved	23.3%	46.7%	23.3%	6.7%	-
Acts in such a way that manages my respect for him/her	26.7%	36.7%	26.7%	6.7%	3.3%

The above table shows that the majority of the respondents think that the leader at their organization supports them to think of problems from different perspectives. This statement has the higher score among the other eight statements about the leader's characteristics with 80% of respondents who agree. For the characteristic 'intellectual stimulation' of the leader, 69% agreed with the statement. For the third statement about teaching and training the employees at the organization, only 46% agree; while the fourth statement on individualized consideration 56% of the respondents agreed. 56% of the respondents agreed that the leader speaks optimistically about the future. For the second statement of the inspirational motivation, that the leader speaks enthusiastically about what needs to be done 62% of the respondents agreed. The last 2 statements that represent idealized influence of the leader, 60% of the respondents agreed.

We can conclude that the leader of this organization has high intellectual stimulation qualities; he also has the idealized influence and inspirational motivation qualities but needs to improve them while his individualized consideration qualities are weak.

Implementation of CSR Strategies – CSR Practices of the Organization

Table 2: CSR practices in the organization

	<i>Strongly Agree</i>	<i>Agree</i>	<i>Neutral</i>	<i>Disagree</i>	<i>Strongly Disagree</i>
Your company engages its stakeholders through a dialogue	6.7%	46.7%	40%	6.7%	-
At your company there is a review of policy that governs employee welfare	10%	36.7%	23.3%	30%	-
Your company partners with the community in several outreach	40%	33.3%	23.3%	3.3%	-
Your company's activities are monitored for their impact on the	16.7%	30%	30%	13%	10%
Energy efficiency is a top priority for your organization	13.3%	30%	20%	26.7%	10%
The management of your company focuses on socially responsib	16.7%	30%	26.7%	20%	6.7%

From the data in the above table, we can observe that the first and the third practice of socially responsible activities are the most applied in the organization. About 54% of the respondents think that the company engages with their stakeholders through a dialogue. Around 47% of the respondents feel that there is a policy that governs employee's welfare in the organization.

73% of the respondents agreed that the company partners with the community in several outreach programs, that the company's activities are monitored for their impact on the environment. 43% agreed on the energy efficiency at the organization. Finally, 46% of the respondents agreed that the management of the company invests in socially responsible projects. From the above data, it is clear that the CSR practices are not strongly applied and there is further scope for improvement.

Respondents & Demographics

This part of the questionnaire was designed to determine the gender, age, education level and years of experience of the respondents. The below tables will show how many males and females participated in this questionnaire and what are their ages, education levels, and years of experience at the organization.

Analysis of respondents' gender

From the above data it is clear that 60% of the respondents were female. The majority of the respondents are between the age of 26 and 35, and 70% of the employees are having experience of more than one year and hence well conversant with the company's culture and practices. Over 75% employees are undergraduates.

Interpretation of Survey Findings & Analysis

Chi-square test which was used to test the existence of the transformational leadership qualities at the organization, K-S test was used to test whether the organization has an implemented CSR strategy. Factor Analysis was used to ascertain important contributing factors. Correlation Analysis was done to evaluate the relationship between the variables in each question separately. The results are all positive.

Chi-square Test

Chi-square was used to determine whether the 8 qualities of the 4 dimensions of the transformational leadership are accepted or rejected. The significance level has been chosen as 0.05 for better results in this test. If the value of the asymptotically significant is less than 0.05 we accept it. All the values in the table are accepted except for variable 3 & 4, which are 0.198 and 0.221 respectively. From the analysis, it is interpreted that the individualized consideration factor of the transformational leadership is weak. The other transformational features are all present in the leader's characteristics. From the above result, we accept H1, H3 and H4. We reject H2.

Kolmogorov-Smirnov Test

The Kolmogorov-Smirnov (K-S) test compares a normally distributed set of scores to the set of scores in the sample with the same mean and standard deviation. In SPSS results, data cannot be considered as normally distributed if the value in the Sig. column is less than 0.05. This test will examine the existence of CSR strategy in the organization through testing all the variables of the question, which are CSR practices. Only values below 0.05 will be accepted.

Table 3 Kolmogorov-Smirnov test for the CSR practices

		VAR00009	VAR00010	VAR00011	VAR00012	VAR00013	VAR00014
N		30	30	30	30	30	30
Normal Parameters ^{a,b}	Mean	2.4667	2.7333	1.9000	2.7000	2.9000	2.7000
	Std. Deviation	.73030	1.01483	.88474	1.20773	1.24152	1.17884
Most Extreme Differences	Absolute Positive	.272	.232	.245	.186	.199	.190
	Negative	.272	.232	.245	.186	.199	.190
Kolmogorov-Smirnov Z		-.234	-.194	-.160	-.131	-.179	-.134
Asymp. Sig. (2-tailed)		1.489	1.269	1.345	1.016	1.090	1.043
		.024	.080	.054	.253	.185	.227

As we can see in the table the values for all the variables are greater than 0.05 except for variable 9 and variable 11. This means that only these two practices are positive and the rest is rejected. However, the respondents' views are almost similar about the company's orientation towards the CSR. As the majority of the variables are rejected, we reject H5 and we conclude that the company's orientation toward CSR is weak.

Factor Analysis

In order to assess the final Hypothesis (H6) and subsequently decide on its acceptance or rejection, factor analysis was performed using the complete sample dataset. The Factor Analysis is used to test the variability among the correlated observed variables against the factors; that are a lower number of unobserved variables. This statistical method reduces the huge amount of data and makes it easier to manage them. Identifying the factors through this analysis, will allow us determine to which extent each question belongs to the factors.

Table 4 Factor Analysis – Part 1

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.601	40.005	40.005	5.601	40.005	40.005
2	2.033	14.520	54.525	2.033	14.520	54.525
3	1.362	9.730	64.256	1.362	9.730	64.256
4	1.107	7.911	72.166	1.107	7.911	72.166
5	.858	6.130	78.296			
6	.775	5.533	83.828			
7	.534	3.812	87.640			
8	.477	3.406	91.047			
9	.452	3.226	94.273			
10	.281	2.007	96.279			
11	.247	1.766	98.045			
12	.116	.826	98.872			
13	.086	.617	99.489			
14	.072	.511	100.000			

The first four components carry maximum loading. In other words, these four factors explain 72% of the variance in the data. That is, when it is assumed that there are four components, we can predict 72% of the information in all the 14 variables. The first component explains more of the variance than the second does, third and fourth component (21% versus 20%, 19% and 10% respectively). As a result, the four components are used in the next stage of extraction method. This stage is the “rotated component matrix” that represents the key output of the analysis. It also called “loadings”. It carries a correlation estimates between each variable and the estimated components.

Table 5 Factor Analysis– Part 2

	Component			
	1	2	3	4
VAR00001	.074	.487	.681	.085
VAR00002	.344	.577	.431	-.286
VAR00003	.347	-.028	.756	-.064
VAR00004	.024	.232	.837	-.041
VAR00005	.153	.821	.294	.022
VAR00006	-.067	.870	-.087	.081
VAR00007	.198	.441	.373	.334
VAR00008	.258	.625	.260	-.128
VAR00009	.462	.198	.210	.641
VAR00010	.437	.199	.491	.369
VAR00011	-.032	-.148	-.143	.849
VAR00012	.817	.176	.362	.033
VAR00013	.881	.174	.297	.022
VAR00014	.891	.031	-.102	.143

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.^a (Rotation converged in 5 iterations). There are moderate-to-strong correlations between the variable 12, 13 & 14 and component 1. Similarly, variable 2, 5, 6, 8 and component 2, variable 1, 3, 4 and component 3, variable 9, 11 and component 4. Typically, when interpreting a "component matrix", correlations of less than 0.5 are regarded as being trivial and this is the case for variable 7 & 11. Therefore, the correlation between the leadership dimensions and the first and fourth component are low. Thus, the first and fourth components seem to measure propensity to support the company's CSR policies. Second and third components seem to measure propensity towards transformational leadership qualities. As we can see the variables of Q1 (from 1 to 8) are not merged with the variables of Q2 (from 9 to 14). This means that in our organization there is no relationship between transformational leadership and the implementation of CSR strategies. Thus, H6 is rejected.

Summary of Main findings

There is no positive relationship that exists in the organization between the transformational leadership and the company's orientation to the CSR. The results obtained from the factor analysis justify the rejection of the hypothesis H6. It is proved that the top management possesses the qualities of a transformational leadership except the need to enhance the individualized consideration factor; however, the organization lacks the existence of CSR strategies. Therefore, H1, H3, H4 are accepted and H2, H5, H6 are rejected.

Conclusion

The main aim of this paper was to examine the existence of a positive relationship between the transformational leadership and the implementation of CSR policies within the chosen organization. From the research analysis, it was found out that the four components of the transformational leadership model of Bass exist in the leadership of the organization except the individualized consideration dimension. In addition, the company is lacking a proper implementation of CSR strategies.

As mentioned earlier, the company's top management has the moral obligation towards community within which the organization operates; nevertheless, the result of the analysis showed that in this organization, there is no relationship between the existence of the above transformational qualities of the leadership and the implementation of CSR strategies. The research justifies that the CSR practices in the company are weak and the relevant strategies are not effectively implemented.

Recommendations

As it was found that the CSR concepts are not strongly implemented in the organization, the first recommendation to the top management of the organization is to develop solid CSR policies. The top management of the local organization should understand the importance of the CSR concepts as well as how it is part of their role to take care of the society and the local community. The top management in the organization should link the CSR strategies to their business. This will definitely create goodwill in the society, develop the company brand value, and ultimately support their long term profitability. The top management should encourage energy efficiency at the company; through turning off the lights after working hours, also through participating in the Earth Hour international initiative. The organization should be more environmentally concerned and start with at least recycling papers and encourage employees not to print unnecessary documents or emails. The top management should provide the employees with certain facilities for their and their families' well-being, for example giving them free membership to health clubs or a gym.

As the leadership, style of this organization is transformational leadership, the CEO and the top management should always work on sustaining their qualities. In addition, as the analysis showed that, the individualized consideration of the leader has the lower score among the other qualities; it is recommended that the leader develop this specific factor through enrolling in training courses that focuses on it. In addition, the leader should connect more with the employees in order to be able to know their needs and requirements. The organization has certain obligations toward the community and it is giving it attention through their main work, which is developing sports activities. The company is carrying out its professional duties in the right way however, according to the analysis, the concern towards the society in which business is being operated should be much stronger.

Research Limitations and future scope

The main aim of this research paper is to prove a positive relationship between transformational leadership and implementation of CSR strategies in the chosen organization in UAE. As this relationship was not found in this organization while it was proven in other international organizations, it is worth mentioning what could be the reason to acquire negative results. It is worth mentioning here, that perhaps the reason behind the existence of the gap in CSR practices in the organization is that local organizations are not very familiar with the CSR concepts in UAE. In order to answer this question, more research should be conducted in UAE in this area. Moreover, similar studies should be done in other organizations in UAE to examine if this is related to the culture of UAE and to the level of awareness about CSR concepts.

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