

Leadership Impact on Organizational Commitment: The Role of Management Control System

Zain ul Aabdeen^{*}, Khizar Hayat, Muhammad Tahir, Moazzam Rehman, Kashif Ali, Hafiz Gohar Mehmood Khan, Rabia Irshad, Hafiz Naseer Hamza

Hailey College of Commerce, University of the Punjab, Lahore, Pakistan

Abstract

Purpose The purpose of the study was to examine whether leadership style, action, result, cultural and personnel controls have impact on the organizational commitment. *Methodology* A questionnaire was developed having 31 item to tap the results. Mostly banks and educational institutions were targeted to collect the data, but, some other job holders were also asked to fill the questionnaire. A sample size of 250 respondents was chosen to progress the study. A Multiple Regression Model was used for this purpose. These analyses clearly show that there is a positive significant relationship between all the variables. *Findings* The study reveal that leadership style, action control, cultural control, personnel control has direct impact on the organizational commitment of employees, in contrast the result control has no impact on the organizational commitment. *Limitations* The study was conducted targeting only banks and educational institutions in Lahore, Pakistan.

Keywords

Leadership Styles, Organizational Commitment, Management Control Systems

Received: October 1, 2016 / Accepted: October 9, 2016 / Published online: December 27, 2016

© 2016 The Authors. Published by American Institute of Science. This Open Access article is under the CC BY license.

<http://creativecommons.org/licenses/by/4.0/>

1. Introduction

It's been part of most of management's concern to implement controls of different types to make it possible for them to achieve their targets, which are the important concerns for them while achieving strategic objectives. Some controls are more effective than others. So, it is a difficult task for the management to choose the best action which suits the situation most. This study, try to find out the most applicable actions and controls which have the most impact on organizational commitment. So far much literature work has been done in this field. In the past different procedures and statistics used on organizational commitment. Independent variables in this research are leadership styles, result control, action control, personnel control and cultural control.

Dependent variable is organizational commitment.

The study was conducted to enhance current knowledge about what management control systems can do for the improvement of organizational commitment by applying the best measures of leadership styles and controls. Management control system is the key part of any organizations. These were developed, designed, managed, and controlled by the expertise or the high level authority.

Literature also explains and enhanced understanding about organizational commitment that those managers which are committed to the organization will prefer organization rather than their self-interest (Chong & Eggleton, 2007). So, organizational commitment is the key for the human resource

^{*} Corresponding author

E-mail address: zainulaabdeenn@gmail.com (Z. ul Aabdeen)

of the organization to make it clear that organization is moving towards its peak. Study developed five different hypotheses on which study analyze the organizational commitment.

In the literature, it was cleared that the impact of leadership style of initiating structure on the organizational commitment was not much strong rather that was weak (Kleine & Weißenberger, 2014). This study finds out that there is the direct impact of leadership styles on the organizational commitment.

Performance measurement system also plays an important role as these measured the performance of the employees. Performance indicators lead towards results which should be according to the organizations strategic objective. So, organizations need to have and maintain results controls to retain the performance of employees according to the commitments of the organization.

2. Literature Review

The organizational commitment is of important issue since much empirical and theoretical work performed in the past few years. In the literature it was found that there was strong connection between the levels of organizational commitment and the management control instruments which are used (Kleine & Weißenberger, 2014). That means different can be used to check the different levels of the organization. In this study, result controls are analyzed. If they are made feasible then the efficiency and the effectiveness can be maintained (Chenhall, Hall, & Smith, 2010).

The interdependence of the leadership styles were also the indicators of their effects on the organizational commitment (Abernethy, Bouwens, & Lent, 2010). In the past, it was analyzed that if managers of the organizations are committed to the organization then they will subordinate their self-interest to the organizations interest (Chong & Eggleton, 2007). However, the key is the commitment level of the managers. To maintain these commitments and to make controls which supervise the commitment level of managers is prior choice of the organizations. Because, if the managers are committed then they will also motivate and control the organizational commitment level of their junior employees or the employees under the supervision of the manager.

It was observed that the marketing also have its influence over the management controls (Cunningham, 1992). In this way leadership styles might have the ability to face and resolve marketing issues. Leadership is the quality; if you

have it then your success is in your hand. But if not, then challenges surround you all the way. In the literature, the commitment level of organization is also significantly influenced by perception of equity and organizational politics (Chen & Indartono, 2011). Different employees have different perceptions. It was founded the commitment level of the employees also based on their perceptions of equity and the politics which every organization have internally. It was generally observed that if there is less politics and more equity in the organization then more commitment level of the employees or vice versa. So, this is also of due importance for organizations.

Literature explains that for the management control systems, it is necessary for the managers to be unanimous on the strategies (Bouillon, Ferrier, Stuebs, & West, 2006). When manager agree on the strategies directed by top level management then there is more chance of commitment. On the other hand, if managers does not agree then their commitment level effects. So, the agreement of the managers and the top level management is very important for organizational commitment as managers are the drivers of the organizations.

In the past, it was analyzed that the business strategy and its external environment also have impact on the management control systems (Auzair, 2011). According to that every control cannot be implemented in every organization as they have different strategies and different environment they face. Controls should be implemented best suitable ones but according to the conditions.

It was evident from the past that different leadership styles are related to management accounting change (Jansen, 2011). If the change introduced, resistance probably occurs. According to that change the leadership styles also changed. Different strategies developed to account for that change results in different management control systems. It was also analyzed that leadership is the quality which involves in setting the best strategies (Montgomery, 2008).

3. Theoretical Framework

In previous discussions study reached on a point that organizational commitment is affected by numerous variables. In the current study five variables were taken as base to analyze their impact on the organizational commitment as shown in the following framework.

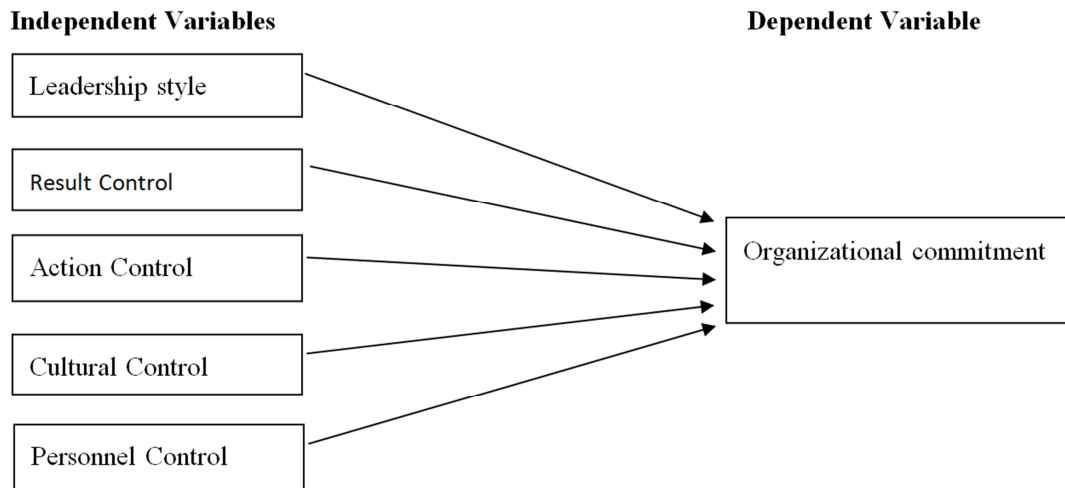


Figure 1. Theoretical framework.

4. Hypotheses Development

H1 Impact of Leadership Style on Organizational Commitment

The first hypothesis was developed to check the impact of leadership style on organizational commitment that whether the leader keeps you on track, motivate you to perform on time, have direct connect with the employees, and try to accomplish the task of organizational commitment by evading self-interest.

H2 Impact of Result Control on Organizational Commitment

In results controls the performance measurement systems helps to find the relationship between the financial and non-financial outcomes of the employees on the organizational commitment. Different key performance indicators (KPI) are designed for this purpose.

H3 Impact of Action Control on Organizational Commitment

Different types of actions are performed by the employees to achieve their particular tasks. To complete their tasks they have to follow different routine steps of actions. After the continuous following the different actions, employees are able to complete their desired outcome. The above hypothesis was developed to check whether the Action Control has an impact on the organizational commitment or not.

H4 Impact of Cultural Control on Organizational Commitment

Every organization has its core values on which the culture of the organizations is stand. Employees have to obey all those values and code of conduct communicated by the organizations to them. These cultural controls can affect the organizational commitment of the employees. So, to see the impact of cultural control on organization commitment the above hypothesis was developed.

H5 Impact of Personnel Control on Organizational Commitment

In the last, personnel controls were also there in the organizations which might affect the organizational commitment. It should importantly kept in mind, whether recruiting process was effective, whether selected personnel have the required skills. Is there any environment of nepotism? So, to analyze the impact to personnel control the hypothesis was developed.

5. Methodology

5.1. Population and Sample Size

Firstly a pilot study was conducted having 30 respondents. Then from 250 respondents a questionnaire survey form different heads of business units and employees. Most of the respondents were from banking sector, content writers and lecturer.

5.2. Sampling Technique

Simple Random Sampling technique was used for collection of data.

5.3. Instrument Development

A questionnaire was adopted from the base article having 31 items that were grouped in 5 variables. Responses were judged on a five points likert scale 1=strongly disagree, 2=disagree, 3=Indifference, 4=Agree and 5=strongly agree.

5.4. Data Analysis

In the current study there were five independent variables. Such as leadership style, result control, action control, cultural control, personnel control and one dependent variable organizational commitment. To find the

relationships between these variables, the correlation matrix was developed by using SPSS (16.0). Furthermore to check the impact of the above five variables a regression analysis was used.

6. Data Analysis and Interpretations

6.1. Descriptive Statistics

Table 1. Gender Distribution.

	Frequency	Percentage
Female	53	21.2
Male	197	78.8
Total	250	100

6.2. Inferential Statistics

Table 4. Correlation Matrix.

	1	2	3	4	5	6
1. Leadership style	1					
2. Result Control	.436**	1				
3. Action Control	.361**	.303**	1			
4. Cultural Control	.335**	.304**	.274**	1		
5. Personnel Control	.479**	.445**	.381**	.244**	1	
6. Organizational Commitment	.448**	.341**	.432**	.106	.464**	1

** . Correlation is significant at the 0.01 level (2-tailed).

- i. Results control and leadership style has highly significant positive relationship with leadership style.
- ii. Action control has highly significant positive relationships with Leadership Style.
- iii. Action control has highly significant positive relationships with Result Control.
- iv. Cultural control has highly significant positive relationships with Leadership Style.
- v. Cultural control has highly significant positive relationships with Result Control.
- vi. Cultural control has highly significant positive relationships with Action Control.
- vii. Personnel control has highly significant positive relationships with Leadership Style.
- viii. Personnel control has highly significant positive relationships with Result Control.
- ix. Personnel control has highly significant positive relationships with Action Control.
- x. Personnel control has highly significant positive relationships with Cultural Control.
- xi. Organizational Commitment has highly significant

Majority of the respondents were male.

Table 2. Reliability Analysis.

Cronbach's Alpha	Number of Items
.811	31

Table 3. Factor Wise Reliability Analysis.

Variables	Number of Items	Chronbach's Alpha
Leadership Style	11	0.653
Result Control	5	0.305
Action Control	4	0.480
Cultural Control	4	0.505
Personnel Control	3	0.198

In table 2, the overall and factor-wise reliability states that research design was meeting the required criteria of 80%. Overall reliability was good as well as factor-wise reliability lightens up the importance each single factor of the study.

- xii. Organizational Commitment has highly significant positive relationships with Result Control
- xiii. Organizational Commitment has highly significant positive relationships with Action Control
- xiv. Organizational Commitment has insignificant positive relationships with Cultural Control
- xv. Organizational Commitment has highly significant positive relationships with Personnel Control

Table 5. Regression Analysis.

Adjusted R-Square	.334
ANOVA Sig.	.000

Adjusted R Square explains that 33.4% explained variation in the dependent variable is due to five independent variables.

As.000 <.05, reject null hypothesis (HO) i.e.: leadership style, action control, cultural control, personnel control have impact on the organizational commitment.

By using SPSS (16.0), correlate the all variables to analyze which variables have relationships with each other or which have no relation. This discussion is described in the data analysis and its interpretation. The reliability of study or Chronbach's alpha was 81%. Run the regression analysis to

analyze the impact of different independent variables on the organizational commitment. For this purpose R-square adjusted was found. In this analysis point come to know that there is the impact of leadership style, action control, cultural control, personnel control on the organizational commitment. But there is no impact of results control on the organizational commitment. Using regression analysis find out that the R-square adjusted having value.334. That means that leadership style, action control, cultural control, personnel control have 33.4% impact on the organizational commitment

7. Discussion and Conclusion

The management literature lightens up that organizational commitment depends upon leadership styles and skills. The most expertise and scholars of the management explains that there is the close relationship between organizational commitment and role of leadership on it. Although they are closely linked to each other but knowledge enhancement on these make them separate. The main purpose of this study is to join both of them in such a way to analyze the effects as leadership styles on the organizational commitment. This study is contributing towards the current literature in the following ways.

Firstly, to find out that leadership style has direct impact on the organizational commitment. To check the impact a regression analysis was used through SPSS (16.0). It means the decisions and commands a leader made towards the achievement of organizational commitment has significant impact. So, study suggests that the CEOs and business leaders try to implement different leadership styles on the organization to achieve their strategic objectives.

Secondly, to find out that results control has no impact on the organizational commitment. It means the decisions of results controls made for the achievement of organizational commitment has no significant impact. So, study suggests that the CEOs and business leaders try to less implement different results controls as these have no impact on organizational commitment of the organization to achieve their strategic objectives. Furthermore to check whether action control have direct impact on the organizational commitment. It means the decisions of action controls made for the achievement of organizational commitment has direct significant impact. There should be the controls which can make actions of the employees loyal towards the organization for organizational commitment. So, study suggests that the CEOs and business leaders try to implement different action controls as these have direct impact on organizational commitment of the organization to achieve their strategic objectives.

Moreover to check whether cultural controls have direct

impact on the organizational commitment. It means the decisions about cultural controls made for the achievement of organizational commitment has direct significant impact. There should be the controls which can make friendly cultural development for the employees. So, that they can work effectively in that culture for organizational commitment as culture is the key on which employee's civilizations and traditions are dependent. So, study suggests that the CEOs and business leaders try to implement different cultural controls as these have direct impact on organizational commitment of the organization to achieve their strategic objectives.

Finally, it was analyzed to check whether the personnel controls have direct impact on the organizational commitment. It means the decisions about personnel controls made for the achievement of organizational commitment has direct significant impact. Personnel are the building blocks of any organization on which the whole building stands. If personnel are skillful, professional, intellectual then these are the core competencies and assets of the company. So, study suggests that the CEOs and business leaders try to implement different personnel controls as these have direct impact on organizational commitment of the organization to achieve their strategic objectives.

8. Future and Practical Implications

Study was all about the impact of five independent variables as leadership style, results control, action control, cultural control, and personnel control on dependent variable as organizational commitment. The study will help the CEOs, business managers, business leaders, policy implementers and all those which are connected to the persons who have authority to make decisions for the achievement of the organizational commitment. Applying the study, it will be easier for management to implement what, when, how, and whom controls and styles which will help them in designing and implementing the best ones which will results in conformity of the actions with the strategic objectives of organizational commitment.

9. Limitations

Study was conducted in Lahore, Pakistan. It includes sample size of 250. This sample size was small. It can be increased and this study can be implemented otherwise Lahore. Variables other than used in research can effect organizational commitment those can be analyzed. As survey data was used, therefore potential biases are the part of this approach. Study applies different potential statistics and tests

for this limitation.

There were also different number of other elements which could affect organizational commitment. Those elements can be analyzed and studied. Furthermore, different kind of leadership styles and controls can be tested. Despite all of these barriers study contributing towards how the CEOs and main business leaders can effectively implement controls to achieve their strategic goals of organizational commitment of the resources towards the organization.

References

- [1] Abernethy, M. A., Bouwens, J., & Lent, L. v. (2010). Leadership and Control System Design. *Management Accounting Research*, 21, 2–16. doi: 10.1016/j.mar.2009.10.002
- [2] Auzair, S. M. (2011). The Effect of Business Strategy and External Environment on Management Control Systems: A Study of Malaysian Hotels. *International Journal of Business and Social Science*, 2 (13).
- [3] Bouillon, M. L., Ferrier, G. D., Stuebs, M. T., & West, T. D. (2006). The Economic Benefit of Goal Congruence and Implications for Management Control Systems. *Journal of Accounting and Public Policy*, 25, 265-298. doi: 10.1016/j.jaccpubpol.2006.03.003
- [4] Chen, C.-H. V., & Indartono, S. (2011). Study of Commitment Antecedents: The Dynamic Point of View. *Journal of Business Ethics*, 103. doi: 10.1007/s10551-011-0878-x
- [5] Chenhall, R. H., Hall, M., & Smith, D. (2010). Social Capital and Management Control Systems: A Study of a Non-Government Organization. *Accounting, Organizations and Society*, 35 (8), 737-756.
- [6] Chong, V. K., & Eggleton, I. R. C. (2007). The Impact of Reliance on Incentive-Based Compensation Schemes, Information Asymmetry and Organisational Commitment on Managerial Performance. *Management Accounting Research*, 18, 312-342. doi: 10.1016/j.mar.2007.04.002
- [7] Cunningham, G. M. (1992). Management Control and Accounting Systems under a Competitive Strategy. *Accounting, Auditing & Accountability*, 5 (2), 85-102. doi: 10.1108/09513579210011880
- [8] Jansen, E. P. (2011). The Effect of Leadership Style on the Information Receivers' Reaction to Management Accounting Change. *Management Accounting Research*, 22, 105-124. doi: 10.1016/j.mar.2010.10.001
- [9] Kleine, C., & Weißenberger, B. E. (2014). Leadership Impact on Organizational Commitment: The Mediating Role of Management Control Systems Choice. *J Manag Control*, 24, 241-266. doi: DOI 10.1007/s00187-013-0181-3
- [10] Montgomery, C. A. (2008). Putting Leadership Back into Strategy. *Harvard Business Review*.