The Relationship between Transformational Leadership and Organizational Social Capital

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Abstract: The present paper tries to investigate the relationship between transformational leadership and dimensions of it with organizational social capital in Sari's hospitals. The statistical population includes all remedial employees of Sari's hospitals totally amounting 2000 people, 322 employees were selected as sample. Assessment tools include Bass& Avolio multi-variable leadership questionnaire (2000), and organizational social capital questionnaire. Validity of said questionnaires is 87% and 93%. Analysis was carried out by using the Pearson correlation coefficient, linear regressions by SPSS21 and SEM by LISREL9.1. Our assumptions were confirmed with the results. The relationship between transformational leadership and social capital is meaningful and positive. [Bozorgmehr Ashrafi, Ahmad Cheraghmakani. The Relationship between Transformational Leadership and **Organizational** Social Capital. 2013;6(2):17-24]. 1554-0200). Y Sci (ISSN: http://www.sciencepub.net/newvork. 4

Keywords: Transformational leadership, Organizational social capital, Relational dimension, Structural dimension, Cognitive dimension.

1. Introduction

At this era of market globalization and the abundance of information in terms of speed, size and rapid changes in the business domain as well as an increase in competition, there has been an increasing need for flexibility and capability of response. This involved changing in the method and ways of response adopted bv organizations (Katzenbach, 1998). Obviously, traditional leadership will not survive in the third millennium and the world needs more transformation-oriented leaders. This style is what so-called transformational leadership, which is capable of changing the present situation into the desired one. Present organizations have begun to focus on re-activation and being transformed into ones capable of meeting future competitive challenges. This has been accompanied by growing concern on the part of researchers studying transformational leadership. Such type of leadership helps to quickly spot new market opportunities convenient for the development of proficiency within the organization. transformational leader is described as being a person of vision, creativity, and inspiration who leads the change.

On the other hand, Social capital like other forms of capital is productive and it provides the opportunity of access to certain goals, which they are unattainable without it. In absence of social capital, other capitals will lose their effectiveness and passing the ways of cultural and economical development

will be uneven and difficult (Alvani, Shirvani, 2006). Therefore, it is so important to identify what impress social capital and which style of leadership has more strong effect on it.

2. Research Theoretical Principles

2.1 Transformational leadership

Transformational leadership is a paradigm of leadership in organizational psychology and is confirmed by high satisfaction of clients and employees (Kuratko, 2002). Transformational leadership is a type of leadership in which leaders possess a divine endowment, provide their followers with spiritual incentive and special regards and control, and guide them through penetrating their hearts. Transformational leaders create a dynamic organizational perspective, which often necessitates a change in cultural values to reflect more innovation. This type of leadership, also, seeks to establish a relationship between individual and group interests to allow employees to work for the sake of organization's goals (Eisenbach, 2003). Today, leaders are obliged to make decisions, which have more impacts over their considered effects. If a leader makes a decision with undesirable effects, employees may feel results to be unfair and this causes unwelcome consequences such as weak morale, high dislocation, and reduction of efficiency. Recent advances in leadership theories have changed charismatic theories (that assumed the leader as an untraditional existence and considered followers to be dependent on the leader) to neo-charismatic

theories and transformational leadership (that notices giving employees the ability to have independent performance) (Higgs, 2003). According to the theory of transformational leadership, a leader has to use internal players to accomplish required tasks of the organization in order to be able to achieve his desired goals. In this context, the goal of transformational leadership is to become confident that the path toward the goal is clearly perceived by internal players. Then, it aims to remove potential obstacles inside the system and persuade players to achieve predetermined goals (Kent, 2003).

Idealized influence attributed (charisma attributed)

This is an important factor in transformational leadership. It shows the employee's outlook at the leader in terms of power of his influence, self-confidence, his trust in others, his consistency and ideals which individuals make an effort to imitate. Thus, the leaders have become a target of admiration, respect, and sense of responsibility, confidence, growing optimism, and the talk of the followers (Avolio and Bass, 2002). Accordingly, followers have shown a high level of confidence in their leader (Jung and Avolio, 2000).

Idealized influence behaviors (charisma behaviors)

This includes the leaders' values, beliefs, moral considerations, moral behavior, and selfless acts. Establishing a common vision is an integral part of idealism. A transformational leader plays a role in helping others consider the future (Jung and Avolio, 2000). This happens when inspiration is produced through conformity of personal values with the group's interests (Avolio and Bass, 2002; Jung and Avolio, 2000). Transformational leadership implies being tolerant and risk sharing with followers.

Inspirational motivation

A leader sets an example for his followers. He communicates vision, encourages hard work, and expresses important goals simply (Bass, 1994). Transformational leaders motivate others through purposeful tasks that tend to be challenging (Avolio and Bass, 2002). Team spirit is excited by arousing enthusiasm and optimism (Bass, Transformational leaders try to build relations with their followers via interactive contact, which serves as a cultural link between them. This leads to a change in the values of both parties towards a common ground. The leader creates clear vision of the future in his followers through realization of expectations and demonstrating commitment as to goals and common vision. This dimension is measured by the leaders' ability, confidence in his values and vision to bring about.

Individualized considerations

The leader provides constant reactions and combines individuals' needs with the organizational function. He shows personal interest in followers' requirements of growth and achievement (Avolio and Bass, 2002). To do this, a leader acts as a referee and supervisor. He helps develop his follower's abilities towards high levels of potentialities. A leader must consider individual differences between his followers in terms of their requirements and desires. He plays a double role through effective contact with them (Avolio and Bass, 2002; Bass, 1998). A leader can develop his followers' abilities by delegating tasks and secretly watching them being implemented so that he can ensure the amount of support and supervision needed. In addition, the positive effect of individualized consideration and transformational behaviors lies in empowering followers (Behling and McFillen, 1996). In addition, this can be measured by the leader's interest in the followers' needs for development and growth, and his being careful to train and guide them (Bass, 1994).

Intellectual stimulation (creative)

Transformational leadership stimulates individuals to be able to be creative and excellent by introducing ideas and early solutions to problems (Avolio and Bass, 2002). However; it highlights rationality and new approaches for followers to follow. It also re-evaluates old beliefs and values, looks at difficulties as problems that need to be solved, and seeks logical solutions to these problems. Transformational leadership does not criticize followers in public for their mistakes. Rather, it provides them with challenging tasks and encourages them to solve problems the way the like.

2.2 Social capital

During the past decades, various economic theories have evolved and influenced organizational operations. This evolution has expanded the traditional forms of capital, such as tangible assets like buildings and equipment, and now includes neocapital. These intangibles assets likewise contribute to organizational development and growth. The term capital has gained currency in the management literature, which has given rise to several variations of capital such as human capital, relational capital, customer's capital, intellectual capital, health capital, and social capital (Brooks and Nafukho, 2006). Social capital is a social science concept that used in organizational business, economics, behavior, political science, public health, and sociology and it refers to connections within and between social networks. Although there are a variety of related definitions, which have been described as 'something of a cure-all' (Portes, 1998) for the problems of modern society, all of them tend to share the core

idea 'that social networks have value. Just as a screwdriver (physical capital) or a college, education (human capital) can increase productivity (both individual and collective), so do social contacts affect the productivity of individuals and groups' (Putnam, 2000).

L.J. Hannifin's article regarding local support for rural schools is one of the first occurrences of the term 'social capital' in reference to social cohesion and personal investment in the community (Hannifin, 1916).

The concept of social capital entered in management science after the work of Nahapiet and Ghoshal (1998). Nahapiet and Ghoshal in their examination of the role of social capital in the creation of intellectual capital, defined social capital as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social capital, in their definition, comprises both the network and the assets that may be mobilized through that network. They suggested that social capital should be considered in terms of three clusters: structural, relational and cognitive. They used the previous works on social capital, but their model about social capital dimensions has a very strong influence on management literature. We can say with confidence that most of the research about social capital was based on their work. We also used their model in this research.

Structural Dimension: Nahapiet Ghoshal used Granovetter's (1973) discussion of structural and relational embedded to define structural and relational dimensions. Structural embedded concerns the properties of the social system and of the network of relations as a whole. The term describes the impersonal configuration of linkages between people or units. Nahapiet and Ghoshal used the concept of the structural dimension of social capital to refer to the overall pattern of connections between actors. Among the most important factors of this dimension they mention the presence or absence of network ties between actors; network configuration that describe the pattern of linkages in terms of such measures as density, connectivity, and hierarchy; and appropriable organization that is, the existence of networks created for one purpose that may be used for another (Nahapiet and Ghoshal, 1998).

Relational Dimension: In contrast to structural embedded, the term relational embedded describes the kind of personal relationships people have developed with each other through a history of interactions (Granovetter, 1973). This concept focuses on the particular relations people have, such

as respect and friendship, that influence their behavior. It is through these ongoing personal relationships that people fulfill such social motives as sociability, approval, and prestige. Nahapiet and Ghoshal use the concept of the relational dimension of social capital to refer to those assets created and leveraged through relationships Among the most important factors of this dimension they mentioned trust and trustworthiness, norms and sanctions, obligations and expectations, and identity and identification (Nahapiet and Ghoshal, 1998).

Cognitive Dimension: The third dimension of social capital refers to those resources providing shared representations, interpretations, and systems of meaning among parties (Cicourel, 1973). Nahapiet and Ghoshal identified this cluster separately because they believed it represents an important set of assets not yet discussed in the previous mainstream literature on social capital but the significance of which is receiving substantial attention in the strategy domain. These resources also represent facets of particular importance in the context of their consideration of intellectual capital. They only mentioned shared language and codes and shared narratives as the factors of this dimension (Nahapiet and Ghoshal, 1998). Although Nahapiet and Ghoshal separate these three dimensions analytically, they admitted that many of the features, which described are, in fact, highly interrelated. They also identified two characteristics in different forms of social: (1) they constitute some aspect of the social structure, and (2) they facilitate the actions of individuals within the structure (Coleman, 1990).

Accordingly, considering definitions of transformational leadership and social capital, both of which emphasize relationships and interactions among individuals, we try to express the relationship between the two concepts through answering this question: "Is there a significant relationship between transformational leadership and social capital in Sari's hospitals?"

Following Nahapiet and Ghoshal's theoretical model, we define social capital in terms of three distinct dimensions: structural, relational, and cognitive. In the present research transformational leadership (and its aspects) is considered as independent variable and its relationship with social capital (as the dependent variable) is investigated. The model of "Bernard Bass" (2001) in transformational leadership section influences the paper. Based on Bronze theory on transformational leadership, he presented a new theory. "Bass" (2001) defines a transformational leader as a person who makes followers capable, provides them with incentives to have performances higher than their expectation, and encourages them to follow group

goals instead of personal interests. Based on Bass's model, transformational leadership is realized according to five factors: Idealized influence attributed, Idealized influence behavior, intellectual

persuasion, inspiring incitement and personal considerations. The conceptual model of present Research is shown in figure 1.

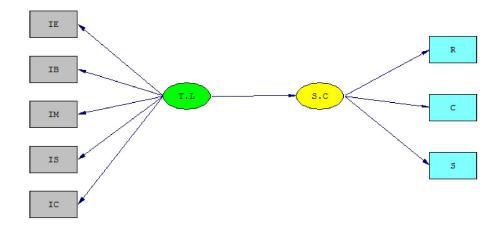


Figure 1. Theoretical framework or analytical model of the paper (research suggested model)

3. HYPOTHESIS

- 1. There is a meaningful relationship between transformational leadership and organizational social capital.
- 2. There is a meaningful relationship between "idealistic attributed" aspect of transformational leadership and organizational social capital.
- 3. There is a meaningful relationship between "idealistic behavior" aspect of transformational leadership and organizational social capital.
- 4. There is a meaningful relationship between "intel lectual persuasion" aspect of transformational leadership and organizational social capital.
- 5. There is a meaningful relationship between "inspiring incitement" aspect of transformational leadership and organizational social capital.
- 6. There is a meaningful relationship between "pers onal considerations" aspect of transformational leadership and organizational social capital.

4. RESEARCH METHODOLOGY

In present research, in order to collect information, both procedures, the field and library has been used and if we consider research classification according to goals, this research will be among those applicable researches. If the classification of various researches is based on nature and style, the research method of the study due to its nature lies among descriptive and non-examinational researches (field and measurement).

4.1 The Sample & Measurement

Statistical population also consists of doctors, nurses, operators, and surgeons. Out of 2000

people present in the hospitals, 322 persons were experts. As a result, 322 questionnaires were distributed and at the end, all of them were collected. In order to determine the capability of confidence, 6 coefficient of Cronbach is measured Cronbach alpha. That is done by SPSS21 software. The least accepted value is 0.7, but 0.6 even 0.55 is also accepted (Nunnally, 1978). Coefficient computed in research questionnaires has been more than 0.7, for leadership questionnaire (MLQ) was 0.87 and for social capital was 0.93.

4.2 Data Analysis & Presentation of Findings

Pierson correlation coefficient procedure and linear regression are used for hypotheses tests. Besides, structural equation model (SEM) consisting of confirmatory Factor Analysis (CFA) and the course analysis test has been used for appraising the research theoretical framework and reviewing of casual relationship among variables.

5. Research Hypotheses Testing

Research main hypothesis: there is a relationship between transformational leadership and organizational social capital in hospitals. Pierson Correlation and linear regression Test was used to investigate the presence of a relationship between variables of the hypothesis. Results are presented in the following table.

5.1 Evaluation of main Hypothesis Testing

Based on table 1, transformational leadership variable has a 74.6% direct relationship with social capital in Sari's hospitals. Thus, research main hypothesis (there is a significant relationship between transformational leadership and organizational social

capital) is confirmed. In addition, it can be said, according to R square, that transformational leadership, can define 55.6% of changes of social

capital in Sari's hospitals. Moreover, following equation is used to calculate social capital based on transformational leadership variable:

Organizational Social Capital = 0.655 x transformational leadership + 0.92

Table 1. Model summary of transformational leadership variable and organizational social capital

Independent Variable	Dependent Variable	Correlation Coefficient	Correlation Coefficient Square	Significance Level	Independent Variable Coefficient	Constant
Transformational Leadership	Social Capital	0.746	0.556	0.000	0.655	0.92

5.2 Evaluation of Side Hypotheses Testing

First side hypothesis: there is a relationship between "idealistic attributed" aspect of transformational leadership and organizational social capital in hospitals.

Table 2. Model summary of "idealistic attributed" and organizational social capital

Independent Variable	Dependent Variable	Correlation Coefficient	Correlation Coefficient Square	Significance Level	Independent Variable Coefficient	Constant
Idealistic Attributed	Social Capital	0.662	0.438	0.000	0.529	1.31

Based on above table, idealistic attributed variable has a 66.2% direct relationship with social capital in Sari's hospitals. Thus, research first side hypothesis (there is a significant relationship between idealistic attributed and organizational social capital) is confirmed. In addition, it can be said, according to R square, that idealistic attributed can define 43.8% of changes of social capital in Sari's hospitals. Moreover, following equation is used to calculate social capital based on idealistic attributed variable:

Organizational Social Capital = 0.529 x idealistic attributed + 1.31

Second side hypothesis: there is a relationship between "idealistic behavior" aspect of transformational leadership and organizational social capital in hospitals.

Table 3. Model summary of "idealistic behavior" and organizational social capital

Independent Variable	Dependent Variable	Correlation Coefficient	Correlation Coefficient Square	Significance Level	Independent Variable Coefficient	Constant
Idealistic Behavior	Social Capital	0.703	0.495	0.000	0.576	1.164

Based on above table, idealistic behavior variable has a 70.3% direct relationship with social capital in Sari's hospitals. Thus, research second side hypothesis (there is a significant relationship between idealistic behavior and organizational social capital) is confirmed. In addition, it can be said, according to R square, that idealistic behavior can define 49.5% of changes of social capital in Sari's hospitals. Moreover, following equation is used to calculate social capital based on idealistic behavior variable:

Organizational Social Capital = 0.576 x idealistic behavior + 1.164

Third side hypothesis: there is a relationship between "intellectual persuasion" aspect of transformational leadership and organizational social capital in hospitals.

Table 4. Model summary of "intellectual persuasion" and organizational social capital

Independent	Dependent	Correlation	Correlation	Significance	Independent Variable	Constant
Variable	Variable	Coefficient	Coefficient Square	Level	Coefficient	Constant
Intellectual	Social	0.686	0.47	0.000	0.569	1 21
Persuasion	Capital	0.080	0.47	0.000	0.369	1.21

Based on above table, intellectual persuasion variable has a 68.6% direct relationship with social capital in Sari's hospitals. Thus, research third hypothesis (there is a significant relationship between intellectual persuasion and social capital) is confirmed. In addition, it can be said, according to R square, that intellectual persuasion can define 47% of changes of social capital in Sari's hospitals. Moreover, following equation is used to calculate

social capital based on intellectual persuasion variable:

Organizational Social Capital = 0.569 x intellectual persuasion + 1.21

Fourth side hypothesis: there is a relationship between "inspiring incitement" aspect of transformational leadership and organizational social capital in hospitals.

Table 5. Model summary of "inspiring incitement" and organizational social capital

Indepe Varia		Dependent Variable	Correlation Coefficient	Correlation Coefficient Square	Significance Level	Independent Variable Coefficient	Constant
Insp Incite	iring ment	Social Capital	0.685	0.469	0.000	0.565	1.24

Based on above table, inspiring incitement variable has a 68.5% direct relationship with social capital in Sari's hospitals. Thus, research fifth side hypothesis (there is a significant relationship between inspiring incitement and organizational social capital)

Organizational Social Capital = 0.565 x inspiring incitement + 1.24

is confirmed. In addition, it can be said, according to R square, that inspiring incitement can define 46.9% of changes of social capital in Sari's hospitals. Moreover, following equation is used to calculate social capital based on inspiring incitement variable:

Fifth side hypothesis: there is a relationship between "personal considerations" aspect of transformational leadership and organizational social capital in hospitals.

Table 6. Model summary of "personal considerations" and organizational social capital

Independent	Dependent	Correlation	Correlation Coefficient	Significance	Independent Variable	Constant
Variable	Variable	Coefficient	Square	Level	Coefficient	
Personal Considerations	Social Capital	0.688	0.473	0.000	0.523	1.41

Based on above table, personal considerations variable has a 68.8% direct relationship with social capital in Sari's hospitals. Thus, research sixth side hypothesis (there is a significant relationship between personal considerations and organizational social capital) is confirmed. In addition, it can be said, according to R square, that personal considerations can define 47.3% of changes of social capital in Sari's hospitals. Moreover, following equation is used to calculate social capital based on personal considerations variable:

Organizational Social Capital = 0.523 x personal considerations + 1.41

5.3 Analysis of Structural Equations Model (SEM)

We tested our research model with LISREL9.1, as you can see in table 7, the value of GFI for this model is 0.96, the value of AGFI is also 0.92 that both of them are acceptable. The slight value of RMR in this research (0.16) represents the proper explaining of co-variances. The values above 0.9 of Normal Fit Index (NFI), non-Normal Fit Index

(NNFI), Incremental Fit Index (IFI) and Comparative Fit Index (CFI) also represents that the fitting of model is very appropriate. Finally, The value of RMSEA 0.082 and is less than one that shows an acceptable fitting.

Table 7. Fitting indexes of the model

Tuble 7.1 Items macked of the model						
Indexes	Reported values					
K Square	60.09					
P-Value	0.000					
Root Mean Square Residual (RMR)	0.016					
Goodness of Fit Index (GFI)	0.96					
Adjust Goodness of Fit Index (AGFI)	0.92					
Normal Fit Index (NFI)	0.99					
Non-Normal Fit Index (NNFI)	0.99					
Incremental Fit Index (IFI)	0.99					
Comparative Fit Index (CFI)	0.99					
Root Mean Square Error of Approximation (RMSEA)	0.082					

6. Conclusion

- According to results it is deduced that independent variable of transformational leadership has a high relationship (74.6%). It means that this variable has a direct and significant relationship with dependent variable of organizational social capital in Sari's hospitals. Moreover, the magnitude of the effect of this variable on social capital is 55.6 %. This shows that 55.6% of changes of social capital in Sari's hospital are influenced by transformational leadership (the main hypothesis is confirmed).
- According to results it is deduced that "idealistic attributed" aspect of transformational leadership has a 66.2% relationship. It means that this variable has a direct and significant relationship with the dependent variable. Moreover, the magnitude of the effect of this variable on social capital is 43.8 %. This shows that 43.8% of changes of social capital in Sari's hospitals are influenced by "idealistic attributed" aspect of transformational leadership (the first side hypothesis is confirmed).
- According to results it is deduced that "idealistic behavior" aspect of transformational leadership has a 70.3% relationship. It means that this variable has a direct and significant relationship with the dependent variable. Moreover, the magnitude of the effect of this variable on social capital is 49.5 %. This shows that 49.5% of changes of social capital in Sari's hospitals are influenced by "idealistic behavior" aspect of transformational leadership (the second side hypothesis is confirmed).
- According to results it is deduced that "intellectual persuasion" aspect of transformational leadership has a 68.6% relationship. It means that this variable has a direct and significant relationship with the dependent variable. Moreover, the magnitude of the effect of this variable on social capital is 47 %. This shows that 47% of changes of social capital in Sari's hospitals are influenced by "intellectual persuasion" aspect of transformational leadership (the third side hypothesis is confirmed).
- According to results it is deduced that "inspiring incitement" aspect of transformational leadership has a 68.5% relationship. It means that this variable has a direct and significant relationship with the dependent variable. Moreover, the magnitude of the effect of this variable on social capital is 46.9 %. This shows that 46.9% of changes of social capital in Sari's hospitals are influenced by "inspiring incitement" aspect of transformational leadership (the fourth side hypothesis is confirmed).
- According to results it is deduced that "personal considerations" aspect of transformational leadership has a 68.8% relationship. It means that this variable has a direct and significant relationship with the dependent variable. Moreover, the magnitude of

the effect of this variable on social capital is 47.3 %. This shows that 47.3% of changes of social capital in Sari's hospitals on are influenced by "personal considerations" aspect of transformational leadership (the fifth side hypothesis is confirmed).

- According to SEM results it is deduced that the model of research is fitted and acceptable.

7. Suggestion

- According to respondents, as " idealistic behavior" aspect has the highest relationship with (and effect on) organizational social capital in Sari's hospitals, then managers need to possess the material of " idealistic behavior" among employees as the most important organizational resources managers must encourage participation and cooperation. In fact, they have to identify preventive factors of this organizational culture and try to remove them. Principally, preventive factors can be classified as follows:

Individualism culture among employees

Employees' pessimism about effectiveness of participatory management

Considering participation as a threatening factor for managers' power.

To remove above obstacles managers have to respect suggestions in their organizations. In this context, they must try to hold unofficial meetings among employees and lower managers and inform them about organization's goals and performances to prevent any problems. They also have to consider employees' suggestions to improve organizational methods and functions. Of course, only a steady method must not be used but all participation methods can be applied (considering environmental situation of the organization) to avoid pseudoparticipation.

- Also, based on results, "personal considerations" aspect is the second effective factor on organizational social capital. This means that managers have to guide, train and support their employees and improve their abilities on a regular basis since employees having a high level of personal ability are more predominant, create and invent, more responsible about their performance and learn more rapidly.
- Moreover, managers have to consider "intellectual persuasion" aspect as a motive in their followers and social capital as a guideline to reinvestigate principle assumptions and making followers to look at problems from different viewpoints, to suggest new methods and solutions, to notice how to accomplish their assigned tasks, and to examine principles of reengineering.
- For "inspiring incitement" managers need to gather various individuals under a single thinking

method and encourage entrepreneur and creative ones. This is of high importance in developing personal innovations in citizen-organizational behavior. Inspiring and inducing an optimistic view of future motivates employees of an organization to move toward achieving organization's goals.

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12/23/2012