The Organizational Performance of Higher Educational Institutions in China: The Role of Leadership Style

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ABSTRACT

The landscape of higher education institutions (HEIs) has changed and become increasingly complex, making it crucial for colleges and universities to cultivate and hire savvy individuals who can effectively implement change initiatives and lead faculty, staff, and students. Higher education institutions (HEI) have unquestionably experienced a successful period of transition and transformation over the past decade. This achievement can be ascribed to the pressures they faced in securing, maintaining, and retaining their position in the university rankings. In light of all these shifts, it's clear that the head of an educational institution faces significant difficulties in adjusting to the new circumstances. Much literature suggests that leaders can boost important metrics like employee job satisfaction and commitment by tuning in to and responding to the needs of their followers. Contingency or situational theory has been proposed to support the whole body of study. This study was developed to assess these two specific areas. The first was a comprehensive review of leadership style preferences among leaders in HEIs as a collective group. The second was to determine whether leadership style was significantly able to measure organizational performance. The suggested conceptual framework was able to discover a significant preference differential between transactional leadership and transformational leadership, with academics expressing a greater preference than staff as well. Overall, the proposed framework can be adapted to any scenario variable or future research field. It will effectively contribute to the advancement of China's education system.

keywords: organizational performance, transactional leadership, transformational leadership, China

1. INTRODUCTION

Since the turn of the twenty-first century, the landscape of higher education institutions (HEI) has changed and become increasingly complex, making it crucial for colleges and universities to cultivate and hire savvy individuals who can effectively implement change initiatives and lead faculty, staff, and students. The higher education institutions (HEI) have unquestionably experienced a successful period of transition and transformation over the past decade. This achievement can be ascribed to the pressures they faced in securing, maintaining, and retaining their position on university rankings (Urick, 2016). The allocation of public money among sectors can be influenced by policy choices or exogenous shocks, such as population shifts or economic crises. The COVID-19 problem has caused significant disruptions in education.

Maintaining continuity of learning during school closures and ensuring schools reopened safely required additional financial resources above and beyond those allocated previous to the epidemic. As the sanitation issue
expanded into an economic and social crisis, governments have been forced to make difficult allocation decisions across sectors. Aside from that, the pandemic pushed nations to implement digital teaching and learning solutions to make up for times when in-person sessions were unavailable (Pinkas & Bulić, 2017). Many of these fixes were only put in place as temporary measures during times of crisis, but they have shown to be useful even when not being used for distance education. Transition to digital technologies in education has been aided by the lessons acquired via the deployment of emergency response methods during the epidemic. When addressing the effects of the pandemic on young people's education, development, and mental health, it is essential for nations to have well-defined plans for educational recovery.

National policies to give students with additional help have, across the nations with available data, focused more on primary and upper secondary education than other levels. In light of all these shifts, it's clear that the head of an educational institution faces significant difficulties in adjusting to the new circumstances. Many literatures suggests that leaders can boost important metrics like employee job satisfaction and commitment by tuning in to and responding to the needs of their followers, but this perspective is rarely taken into account in studies on effective leadership (Northouse, 2015). There is no other way for the job of the members of a team to function well other than in an environment at work in which good emotions predominate and in which compassion and gratitude are fostered. Also, the creation of positive relationships through the engagement of the leader in human relationships, as well as the cultivation of a positive sense of work at the organisational level, with an emphasis on the fact that the work of the entire team leads to performance at the organisational level.

However, encouraging the team while simultaneously supporting constructive feedback is the goal of effective leadership communication (Yan, 2015). Therefore, the purpose of this study is to examine the significance measurement between various leadership styles and the performance of organisations in order to address the aforementioned issues. This strategy may compensate for the constraints of previous research, which primarily focused on the impact of a single style of leadership, by focusing on the impact of multiple types of leadership simultaneously. The following objectives are described so that readers will have a better understanding of the study, which seeks to explain the concept of leadership style and its characteristics in order to acquire efficiency in the education structure and administration; and indirectly contribute to the growth of knowledge.

The researcher also intends to investigate the quality of leadership style and organizational performance in universities in China. In particular, the study intends to explore the measurement of leadership style that influence organizational performance and intends to answer the following questions:

**RQ1:** Is transactional leadership confirmed as a significant measurement of organisational performance?

**RQ2:** Is transformational leadership confirmed as a significant measurement of organisational performance?
II. LITERATURE REVIEW

A. Organizational Performance

Organizational performance relates to the effectiveness of businesses. Companies do not desire to be managed into mediocrity. Companies monitor and supervise performance to enhance asset management. It also raises organisational expertise and the capacity to provide consumers with value (Kasmani et al, 2022). A study of the relationship between reputation and financial performance revealed a considerable correlation between a positive reputation and positive financial indicators, such as profits growth and total return (Conţu, 2020). Historically, the majority of managerial success has been measured using financial metrics. In addition, return on assets (ROA), return on equity (ROE), and return on sales are addressed (Mishra & Mohanty, 2014).

In order to define the organization's success, it is essential to note that financial indicators indicate the achievement of a multinational enterprise's (MNE) monetary economic objectives (Ahmed, Hizam, & Sentosa, 2020). In addition, market-based financial indicators emphasise or entail risk considerations, such as cumulative abnormal returns, market-to-book ratio, and excess value (Richter et al., 2017). All of these metrics, according to these researchers, comprise the most limited idea of business performance, with operational performance serving as the conceptual boundary. Performance is crucial for the correctness of the estimates, claim Kasmani et al. (2022). The other uses an internal performance scorecard and other metrics in a relative technique of intellectual capital assessment (Habib, 2022).

Organizational performance refers to evaluating a company's performance in relation to its goals and objectives. In other words, organisational performance is the evaluation of actual outcomes or outputs against those anticipated. Three main outcomes namely shareholder value performance, financial performance, and market success, which were the focus of the previous study. Every company aspires to continuously improve, and it is essential that organisational success be connected to the team members' individual contributions when functioning at the organisational level. The ability of an organisation to adjust to changes in its external environment is a key factor in effectiveness (Al-Bazaiyah, 2022).

The research findings of Kasmani et al. (2022) successfully generate the factors that influence performance. The incentive system is currently the most notable component. In organisational psychology, economics, and business, an incentive system is a framework that encourages members of an organisation to act in the organization's best interests. One factor that affects performance is the supply chain, which is followed by financial risk, gender diversity, traditional interests, environmental factors, organisational ambidexterity, critical success, external factors, an unorganised facility, job dissatisfaction, a diversity commission, efficiency managers and leadership style, ostracism, supply chain, incentive systems, safety initiatives, and how a firm implements its strategy (Rengiah & Sentosa, 2016). The present study focusing on how leadership style influences the organisational performance...
towards higher education institutions. Due to the paucity of current research on follower preferences for leadership styles, there is ample need for further investigation into this topic.

Given the data supporting the concept of leaders engaging followers and developing healthy connections, this is especially true. As previously described, leaders who invest time and effort in getting to know their followers have more success implementing change projects and developing trust within the organisation. The same holds true for schools and universities, where complex environments can generate hard situations requiring the support and dedication of followers and stakeholders (Mews, 2019). Based on prior studies on the leadership styles, most of the findings suggest that a situational approach may be required for effective leadership in a college or university setting. This idea is consistent with previous studies on situational leadership, which supports the leader's need to adapt his or her style dependent on the scenario and followers, particularly in complex organisations such as Higher Education Institutions (HEIs) (Khan, 2017).

To properly use the situational method, the leader must get to know his or her followers, determine their requirements and preferences, and adapt leadership approaches as needed (Northouse, 2015). This reinforces the view that effective leaders should adopt a variety of leadership styles depending on the circumstances (Avolio & Bass, 2002). In terms of stakeholder satisfaction, organisational performance is likewise a contentious topic. According to scholars such as Harris (2013) and Yunus (2008), organisational performance is crucial for the survival of any institution of higher education institutions. These researchers also underlined the different aspects that impact organisational effectiveness in the context of higher education, including customer satisfaction with services, facilities, image, product quality, and market value of graduates through employability. These factors are in complete agreement with those stated by Gu, Ma, and Teng (2017), who studied the performance in terms of facilities, programmes, services, image quality of graduates, responsiveness to student concern, and graduation rates of students; therefore, the organisational performance is examined in relation to academic service quality in this study (Al-Bazaiyah, 2022).

**B. Leadership Style in Higher Education Institutions**

Rather than being an individual trait, leadership is a social phenomenon. To paraphrase Knezevich (1984), a leader may be most effective if he or she helps the team come up with and articulate its goals, then drives them to success. Stogdill (1948) came to the conclusion that leadership is not a product of innate attributes but rather of the individual's actions in relation to the characteristics of the group being led. Based on prior studies on the leadership styles, most of the findings suggest that a situational approach may be required for effective leadership in a college or university setting. This idea is consistent with previous studies on situational leadership, which supports the leader's need to adapt his or her style dependent on the scenario and followers, particularly in complex organisations such as Higher Education Institutions (HEIs) (Khan, 2017).

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view that effective leaders should adopt a variety of leadership styles depending on the circumstances (Avolio & Bass, 2002). Knezevich (1984) argues that leaders' actions vary depending on the nature of the problems at hand, the personalities of those engaged, and other external factors. Even while leaders' approaches may change, there is typically a defining characteristic of those in positions of authority. Both transactional and transformational leadership were covered in this study (Khan, Nawaz & Khan, 2016).

1) Transactional Leadership

Research suggests that a transactional management style might stifle creativity and have a detrimental effect on workers' happiness on the workplace. Leaders' actions can be understood within the framework of "management by exception," which emphasises the timely and precise identification of followers' deviations from the norm. A transactional leader uses the system of dependent rewards to set clear expectations for their team members and reinforce their commitment to meeting those goals. Leaders that take a transactional approach rely on extrinsic rewards and see contracts as the key source of motivation for their followers (Bass & Avolio, 1997). Both types have different uses depending on the specifics of an instance. We will prefer transactional leadership in situations that require for a high level of precision, technical expertise, and time-constraints, particularly in technologically intensive workplaces. However, transformational leadership will be the preferable option in human-intensive organisations where the focus is on influencing followers through motivation and honouring their emotions on the basis of shared goals, beliefs, and values ( McGregor, 2003). The three pillars of the transactional leadership model are management by exception (active), management by exception (passive), and contingent reward (passive).

a) Contingent Reward

Result-oriented goals are prioritised by a leader with a contingent compensation structure. This pattern of conduct has developed because people generally prefer monetary compensation for their efforts. When compared to transformational leadership, which "recognises individual skills and promotes enthusiasm through emotional appeals, values, and belief systems," transactional leadership "generates compliance by appealing to the wishes and expectations of individuals" (Avolio & Bass, 2004). When using contingent compensation, managers have the responsibility of leading their staff in the right way. Material rewards based on performance, establishing a course of action, having complementary members of a team, and fostering a sense of trust are all hallmarks of contingent pay (Sharin, Sentosa & Perumal, 2022).

b) Management by Exception (Active)

Management by exception (active) is not the same as abandoning leadership, as shown by the "do-nothing" management style. Managers that use the "active" method of management, known as "management by exception," have unwavering faith in their teams' abilities to get the job done and keep things running smoothly. Ineffective leadership is characterised by a failure to inspire followers to go above and beyond in their job; once a target is reached, however, the system is deemed to have succeeded, satisfaction is achieved, and business returns to its customary state (Avolio & Bass, 2004). Leadership by exception lacks a sense of adventure, risk-taking, fresh
insights, or innovative approaches. It fits well with a culture that is open to change based on what its members actually need. Management by exception (active) is characterised by a lack of trust in employees, poor lines of communication, an insistence on business as usual, and an unwillingness to change the status quo.

c) Management by Exception (Passive)

It's a form of transactional leadership in which leaders don't make commitments to their teams and don't provide them clear objectives and measures of success. Sometimes a leader would wait for things to go wrong before taking corrective measures (Avolio & Bass, 2004).

Based on the descriptive literature and arguments, the researcher formulates the below hypothesis:

**Hypothesis 1**: Transactional leadership is confirmed as a significant measurement of an organizational performance of Higher Education Institutions

**2) Transformational leadership**

In order to inspire their followers, motivate them to succeed, boost their confidence in their own abilities, and help them grow as people, transformational leaders place a premium on building meaningful relationships with them. However, there are other factors outside leadership that affect creativity and new ideas. Positive personal and professional outcomes are linked to leadership that focuses on transformation. A transformational leader is one who inspires their followers to put the needs of the group above their own (Avolio & Bass, 2002). The following are the four pillars of transformational leadership:

a) **Idealized Influence.**

Mentoring is an important part of a transformative leader's duty in preparing their followers to take on those responsibilities themselves. These heads of state are avid students, too. Providing followers with a sense of purpose, meaning, self-esteem, self-determination, emotional control, and confidence through role modelling, articulating, and values creation are main markers of idealised influence. The trait that makes a leader inspiring to others who look up to them. Charisma is another word for desirable influence. The ideals generated by idealised influence motivate, give meaning to, and give people a sense of purpose in life. Idealized influence is intrinsically inspiring. It helps one focus on what's truly important in life. Idealized impact and charismatic leadership: an examination of the connection (Yukl, 2002). People follow leaders who exude charisma.

A strong driving element of idealised influence and role-modeling behaviour is a leader's faith in a follower's willingness to make sacrifices and ability to seek outstanding goals (Crawford, 2005). If a leader has faith in their team, they will be able to accomplish amazing things. Leaders who have idealised influence have a healthy sense of independence. The need to keep one's pride intact is strong and ubiquitous. These leaders are very confident in what they're doing, have the ability to influence those around them through clear and constant communication, present themselves as role models, and motivate their teams to reach the company's objectives and goals. They have the required degree of emotional maturity and control over their impulses (Hossin, Ali, & Sentosa., 2020).
b) Inspirational Motivation.

Administrators who succeed are always involved with their staff, providing opportunities for others through means such as praise, criticism, and, if necessary, replacement. The ability to raise the consciousness of one's followers, to link them to the organization's mission and vision, and to inspire them to understand and commit to the vision are all crucial components of the transformational leadership style of inspirational motivation. Inspiring inspiration is more concerned with the organization's continued survival than with any one individual's leadership style (Avolio & Bass, 2004). By not smoothering employees, leaders that take this tack inspire them to give their all-in service of the company's mission. This method of management inspires workers by giving them more independence to make choices and the resources they need to execute their jobs successfully without constant oversight. Leaders who display this trait go above and beyond simply communicating their vision and inspiring their teams to evolve beyond the status quo in order to benefit themselves and the company as a whole (House & Shamir, 1993). In summary, leaders who inspire via their actions create a shared vision, facilitate open lines of communication, and effectively handle challenging staff members through a combination of positive reinforcement, collaborative problem-solving, and delegated authority (Samad, 2012).

c) Intellectual Stimulation.

There is a wide range of mental capacity and enthusiasm for physical labour. In other words, it's the ability to get people excited about their work because of what they're learning and the fact that they genuinely care about what they're doing. Leaders that provide intellectual stimulation do so by inspiring their followers, encouraging new ideas, and accepting setbacks as part of the work (Akthar, 2022). The most effective leaders are those who can keep their cool under pressure and use reasoning to solve difficult problems. They do the same for their staff, encouraging the development of similar abilities. A consensus amongst leaders and personnel is reflected in the complex decision-making problem-solving skills they impart to their followers. The intellectual stimulation leadership technique exemplifies the benefits of individualised consideration in terms of mentoring, coaching, and morale-building (Rivelino, 2022).

Like coaching and criticising leadership behaviours that show concern, both techniques help grow the abilities and character necessary to run an organisation effectively (House & Shamir, 1993). That is, before promoting worker engagement in the challenge, leaders employing this leadership method must first comprehend the complexities of the task and establish a sense of direction over what it means for them and their colleagues. In conclusion, indicators of intellectual stimulation include logic, creativity, consensus decision-making, coaching, support, challenge, and involvement.

d) Individualized Consideration.

Taking people as unique individuals and appreciating their unique contributions to the workplace is at the heart of transformational leadership (Fuller et al, 1996). These bosses care about their workers and have the experience and knowledge to foster positive habits in the office. Their involvement might be anywhere from passive to
dominant. Reassuring, caring, and coaching individuals, as well as maintaining an approachable and cooperative demeanour, are all components of individualised consideration.

Based on the descriptive and supporting literature above, the researcher formulates the below hypothesis:

**Hypothesis 2**: Transformational leadership is confirmed as a significant measurement of an organizational performance of Higher Education Institutions

### III. CONCEPTUAL DEVELOPMENT

The leader is the main point of the leader-subordinate interaction, however contingency theorists believe that employees have a vital part in defining the leader-subordinate relationship. There is still an emphasis on the leader in the contingency approach, but it also highlights the importance of group dynamics. These studies of group dynamics and leadership have helped shape some of today's most prominent concepts in these areas. According to the theory of situational leadership, a leader's approach should vary depending on the maturity of his or her followers (Bass & Avolio, 1997). Therefore, the researcher chooses the Contingency Theory or known as well as Situational Theory to bolster the study's overall body of research. It has been suggested in the past that a leader's approach should be adapted based on their followers' maturity (Khan, Nawaz & Khan, 2016). Since its inception in 1969, the situational leadership paradigm has advanced the idea that there is no one optimal way to lead, and that successful leaders must be flexible enough to shift their approach from task-oriented to relationship-oriented depending on the circumstances.

![Figure 1: Conceptual Framework](image)

Greenleaf then further develops this situational theory from a new angle in 1977. Since the leadership style used depends on factors including the quality of the followers, the nature of the situation, and the number of variables at play, the theory of contingency posits that no single leadership approach can be relied upon as a universal truth. This
theory holds that there is no one best way to lead since a leader must always adjust their style to fit the unique circumstances of any given situation. Leaders typically affect not only the dynamics and environment of an organization, but also its people. It is the contention of theories of contingency, a subfield of behavioral science, that there is no universally optimal method of leadership or organizational structure, and that a leadership style that works well in one context may backfire in another (Greenleaf, 1977).

In order to quantify crucial factors affecting the effectiveness of Chinese universities, the study's author advocated the use of the above conceptual framework. Through additional survey instrument, researcher can confirm the measurable relationship between an exogenous (transactional and transformational leadership) and an endogenous (organizational performance). For an overview of how this study lays the framework for future studies of leadership styles and their effects on organizational success as illustrated in Figure 1. The methodology also takes into account the ways in which educational institutions, particularly Chinese higher education institutions, might be involved to boost the efficiency of the businesses studied. Adopting a holistic perspective allows one to comprehend and provide explanations for complicated and well-organized occurrences, in which all components have significant links to one another and contribute substantially to the whole. The sample for this study will consist of managers in Chinese universities, as they represent the population of interest. There is a distinct separation between the various components in terms of their capacity to manage resources and achieve the organization's goals, and the framework works well with any type of management system and can be quickly converted to new systems.

IV. DISCUSSION AND RECOMMENDATIONS

Institutions of higher education are intricate, continuously evolving entities that demand competent leaders who comprehend and appreciate the preferences of their followers. As previously described, the leadership style adopted by the organization's leader(s) has an effect on critical factors such as employee job satisfaction and dedication (Northouse, 2015). Existing studies misrepresented this position, despite the fact that a strong need for further research into follower preferences for leadership styles was evident from a survey of the relevant literature. This study helps to fill a research vacuum and contribute to future examinations of leadership choices inside enterprises and higher education institutions. The debate provides a sense of the preferred leadership styles, while also admitting that followers may choose a different leadership technique depending on their function. These insights can be utilised to inform current and future leaders of complex organisations, such as higher education institutions. As the underrepresented viewpoint of the follower continues to be investigated, the data can also benefit future studies concerning organisational and higher education leadership (Li, 2016).

This incentive-based leadership approach is suitable for positions where tasks and deadlines take precedence. This study discovered a significant preference differential between Transactional Leadership and Transformational Leadership, with academics expressing a greater preference than staff. Given the diversity of employee groups, leaders in higher education institutions can benefit from understanding essential characteristics of all leadership
styles (Li, 2020), and being able to adapt accordingly. The proposed framework can be adaptable to any scenario variables or future research fields. It will effectively contribute to the advancement of China's education system.

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