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Does Strategic Leadership Affect Financial Performance? (A Study of Selected Firms of Textile Industry in Pakistan)

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1. Introduction

Strategic leadership is an ability to create an organization's vision and to establish strategies to achieve it. Strategic leader is the key person responsible for success or failure of a company. Being a strategist, he orchestrates all the activities in a company for achieving its vision. These activities may include establishing objectives, formulating strategies, preparing strategy implementation and evaluation plans. He is capable of assessing internal weaknesses and strengths of the company. While formulating strategies, he undertakes environmental analysis to identify opportunities and threats at business and corporate level. The objectives are converted into achievable goals and targets. One can appreciate that the strategic leadership does not only devise good strategies but also shapes human behavior to perform according to the plan of the company so that vision could be achieved. The individual performance aggregates to organization's performance. Thus, leadership traits affect the organizational performance. Different leadership traits adopted by the strategic leader have their unique effect on the performance.

2. Literature Review

The extensive review of literature about the importance of strategic leadership, its traits and its effects on financial performance of the company, were undertaken. It also covers the effects of some major decisions which a leader has to take, such as new investment and extent of compliance with Corporate Social Responsibility code.

Wealth creation in any organization is a complex task. The magnitude of complexity increases with the size and the establishment of the organization. The role of strategic leadership is of great importance in this regard as it combines the features of managerial and visionary leadership, managerial leaders being reactive and visionary leaders being proactive. A strategic leader is one who dreams and then works hard to achieve the dreams unlike the visionary who only dreams and managerial who only works. In today's complex business environment, neither

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managerial nor visionary leader can be ignored in an organization and both these types are of vital importance. A managerial leader works for the short-term goals and does not change the existing system. He, therefore, does not go for innovation. A visionary leader, on the other hand, is more focused on long-term wealth creation, which may be at the cost of short-term requirements. However, the best blend is in the form of a strategic leader who works for long-term wealth creation keeping in consideration the short-term requirements and goals and eventually results in better outcomes than any of the other two extremes. (Rowe, 2001)

Leadership styles can be categorized into two broad categories: transactional leadership and charismatic leadership. Transactional leader is the one where the leader's focus is to strengthen the already prevailing culture. He pays close attention to follower's work, points out mistakes, works to correct them and attempts to satisfy the present needs of the followers. Charismatic on the other hand refers to the style of leadership where leader inculcates the sense of direction, strong vision, expects high performance and makes followers feel good in their work. Both these types of leaderships are important for an organization and can be practiced by a single person. The paper hypothesized that both transactional and charismatic leadership styles are positively related to organization's performance; however, charismatic leadership will be highly related in the environment of perceived uncertainty. To test these hypotheses, senior managers were chosen as a sample and were asked the questions using a Multifactor Leadership Questionnaire (MLQ). Organizational performance was measured as net profit margin. It was found out that no particular relation exists between performance and transactional leadership. Moreover, charismatic leadership relates to performance only in the condition of uncertainty about future. (David A. Waldman, 2001)

In the economic environment where external factors affect the organization, the role of leadership has become of paramount importance. The romance of leadership concept denotes a strong belief in the importance of leadership factors to the functioning and dysfunction of organized systems, (James R. Meindel, 1987). The extent that how much the investor values the leadership trait was analyzed in this paper by selecting a sample of graduate business students who were given the financial reports of a firm. Different groups of students were randomly given the set of instructions, telling them the causal of good financial performance being 1) leaders 2) employees 3) market trend and 4) government policies. The respondents were then asked to rate the firm on the scale of 1 to 10 for profitability and risk. The evaluation of the performance which was attributed to the leadership was much higher than the evaluation of performance which was not attributed to the leadership. These results suggest that while evaluating the leader, bias plays a significant role. When there is a bias in the favour of a leader, even poor performance looks somewhat positive and is attributed to the efforts and hard work. On the contrary, where the bias is against the leader, negative performances are viewed in exaggerated negative form (James R. Meindel, 1987)

Vera, *et al.,* argued that leadership style on the part of top management affects the organizational learning. (Vera & Crossan, 2004) A combination of both transactional and transformational leadership is the best form when it comes to organizational learning. Learning starts at individual level in the form of intuition. It is then interpreted and communicated to the group level and from there organizational level. This is feed-forward flow of learning. From organizational and group level ,the feedback is given back to group and individual concerned. In this process, some process is better managed by transactional leader while other is better managed by transformational leader.

The leadership style influences the performance of the followers. Performance is found to be directly proportional to charismatic leadership style. In this paper, charismatic leadership was found to be more productive than structured and considerate leadership, where structured leadership is one that pays higher importance to meeting deadlines while maintaining the quality. Considerate leadership is one which considers for the factors such as ease and welfare of the members of the group. Charismatic leadership, on the other hand, provides a clear direction to the followers, gives them confidence and expresses the expectations of high quality work. This article concludes that by dwelling in confidence in its worker, charismatic leader achieves greater qualitative performance over time than the other two forms of leaderships. The methodology used in this study was that it selected a sample of 65 people and grouped them randomly, and then each group was given the same complex task with a different type of leadership style. Performance was measured from time to time during the task. It was found out that the performance of a group under charismatic leadership in the first stage was little behind that group exposed to considerate leadership. However, subsequent monitoring proved that the group exposed to charismatic leadership outperformed the other two groups over a period of time. Charismatic leader’s stress on the quality may have reduced the speed of work initially but in the long run, due to his ability to inculcate the confidence in the followers, the charismatic leader was able to keep the individual effort in maintaining the quality as well as speed over time (Shea, 1999). Similar results were observed by (Coltrin & Glueck, 1977). Productivity is also related to the rewards and the perception of doing valued work. The more one feels that his work is valued, the more productive he becomes.

Visionary leadership is a dynamic concept. It evolves over time. It is more of psychological and less of art. Repeated efforts to measure the attributes of visionary leadership and thus confining its concepts to few attributes have actually made its academic concept limited. Visionary leadership can best be understood with metaphor of a drama. In a theatrical play, the key concepts are repetition (idea), representation (vision) and assistance (emotion and action). These ideas can be metaphoric to the leadership characteristics of idea, vision and emotion and assistance respectively. Having read the biographies and autobiographies of the famous visionary leaders, the author suggests that these people continuously came up with new ideas and were rich with the ability to inject the vision into the followers in a most effective manner. Their rhetoric ability was exceptionally similarly to theatre actor who makes the audience live by his character. Also, visionary leader is not always the best leader for any organization. For example, Walt Disney needs a much more visionary leader than Apple. A visionary leader of Walt Disney caliber may be bad for Apple, as in technological industry leader needs to be more consistent which the visionary attributes. (Mintzberg, 1989)

Parker, *et al.,* contends that when organizations move from public to private ownership, their financial performance generally increases (Parker & Keith, 1991). The financial performance also increases if the organization does not move to private ownership but gains distance from direct departmental control of any government's department. This is because in the government control, it is more likely to be used for political purpose. Moreover, because of job security in government sector, little does the leader pay any attention to its employees' needs and working conditions. On the other hand, in private ownership the leader is more likely to practice the charisma, work for the benefit of employees and thus increases the productivity and, the efficiency of the workers, improving the financial performance which is measured in terms of different financial ratios in this article.

One of the major factors in determining the financial performance of an organization is the decision to invest in new technology. Investment in new technology and also in new machinery significantly draws the finances from the business and increases the costs. On the other hand, postponing major renovation and modernization of facilities can produce short-run savings but may bring the risk of deterioration to those facilities in the long run (Nice, 1991). The analysis of financial performance of Amtrak System reveals this problem. Its financial performance, which was measured in terms of revenues/expense ratio and net loss/profit margin, improved significantly when more attention was given to economies of scale and lesser was spent on purchasing new machinery. However, this benefit was only short-term and it gave rise to more risk and volatility in the long run.

Analyzing 17 different variables of leaders of 27 organizations, Shrivastav, *et al.,* argued that four different styles of leadership exist: Entrepreneurial, Bureaucratic, Political and Professional. (Shrivastava & Nachman, 1989) An entrepreneurial leader is the one who acts as a guide to his followers and supervises their performance through direct supervision. The bureaucratic structure is the one where there are set rules and regulations, and strategic direction is not directed by any single person. Political setup, on the other hand, is the one where each person enjoys certain limit of independence and each individual interacts in collegial environment with the other.

Generally, it was viewed that compliance with corporate social responsibility affects negatively the financial performance of a firm as it bears cost. However, the case can be opposite ,and failure to meet the social responsibility may increase the firm's costs heavily in the form of fines and penalties imposed by the government. Also, compliance with CSR may result in better relations with the governmental authority which may give stability to the firm. This can result in low risk and thus, may increase the interest of investors in the company. On the other hand, a better impression of the firm in the eyes of general public also develops liking for the firm which in turns develops the liking of the products, thereby increasing the demand for the products of a company. This was tested by taking the average rating of the firm in the eyes of the public and comparing it with the market and with the accounting measures of financial aspects of the company, accounting measures being return on assets (ROA), total assets, sales growth, asset growth and operating income growth and market performance measures were risk adjusted return and total return. The results suggest that the organizations which comply to the CSR yields higher financial results taken in both accounting and marketing measures. (McGuire, Sundgren, & Schneeweis, 1988). In another study, Waddock &

Graves (1997) found that Corporate Social Performance (CSP) is not only positively related with prior financial performance but with future financial performance as well (Waddock & Graves, 1997). Another study stated a different aspect of the relation. The authors stated that firms which came into existence prior to the laws of CSR may have a setup that does not comply to the CSR code. This increases their expense significantly as compared to the newer firms who have developed their structure in compliance with the CSR code (L.Cochran & Wood, 1984)

If a leader lets a union exist in the organization without having a significant control over it, the union is likely to draw away a significant part of the earning. This may be in the interest of the employees or labour; however, the financial performance of an organization itself declines. (Machin & Stewart, 1990). This is particularly true for the organizations which have a larger share of the labour market. In 1996, another study added to the research that such effects occur only when there exists closed shop arrangements and the firm exists in a competitive environment. Such restrictions limit the leader's role and the leader can play no significant part for the better financial performance of an organization (Machin & Stewart, 1996)

3. Theoretical Framework

Throughout the history, the concept of leadership has been of vital importance when the subject of improving the relative performance of an organization in relation to its competitors was put forward. Given the same resources and the environmental conditions to operate, it comes down to efficient decisions and management of the leadership that counts for organization's individual performance. This implies that leadership is the key force, which is responsible for organizational functioning or dysfunctioning. In this manner, the leadership has taken the shape of a Leader to which all the followers (employees in the case of an organization) look up to in difficult times, and prosper in favorable times.

Thus the leader becomes a key person who shapes the attitude of his followers/employees. Depending on the ability of a leader to inculcate the motive in his followers, he may get his people to react positively to a threat or to a seemingly negative outcome. This is due to the fact that the same event can be interpreted differently and can be conveyed in a number of manners. In this way, the style and the ability of a leader affect the performance of employees, which in turn affects the performance of the organization as a whole

On many occasions, it has been seen that some companies are liquidated while others, belonging to the same industry, prosper. This difference indicates the poor management of a company itself rather than the environmental conditions. The leader's inability to get the work going is the key factor responsible for the decline of any organization. Due to the large and complex nature of a business, that has evolved today, a single person cannot look after all the matters of a business single handedly. That is to say that the leader alone cannot do all the work that a business requires. For each type of work , employees are recruited. These are the employees who primarily do the work. The leader just needs to supervise, and gets the employees to do the work efficiently.

Moreover when the liking or disliking comes from the top leadership (the strategic leadership in this case) the effect is considerably magnified. Whatever the lower level managers may keep on saying is that the impact of top leadership does remain at the base at all levels.it means , it remains the most important factor in motivating or de-motivating any employee. It does not matter how much any lower manager motivates the employees when the attitude of top leadership is de-motivating. Similarly if the attitude of the top leadership is motivating, the de-motivational attitude of the middle manager can easily be ignored.. In other words, leadership can be a causal attribute to performance when conditions do not differ significantly.

Keeping in view the above discussion, the following hypothesis is developed:

Hypothesis: Strategic Leadership positively affects the company's financial performance.

Therefore, for the present research, the effects of following three types of leadership are considered:

I. Charismatic Leadership

II. Considerate Leadership

III. Transactional Leadership

Each of these leaderships is considerably different from the others. Therefore, by taking these three types, a wide variety of leadership traits are covered. These attributes cover almost all the characteristics of leadership that are being applied in today's economic environment.

3.1: **Charismatic Leadership**

Charismatic leader is the person who provides a vision and a mission to his employees. He develops a confidence relationship with his employees and positively communicates the expectations of high performance.

"Key behaviors on the part of the leader include articulating a vision and sense of mission, showing determination, and communicating high performance expectations." (Waldman, Ramirez, House, & Phanish, 2001)

Charismatic leadership is actually sharing his goal with his employees. This is a necessary thing as with the presence of communication gap, none of the other traits can be practiced. Another of the necessary thing is that the employees must have confidence in the leader. Without the confidence, no sense of vision or mission can ever be inculcated in the employees. Thus, the healthy communicative environment and the confidence on the leader are complementary in case of charismatic leadership.

Keeping in view the above discussion, the conclusion can be drawn that is, by inculcating a vision, a sense of mission, and by expressing the high performance expectation, charismatic leader positively encourages the employees to work hard which improves the performance. By this the following hypothesis is developed:

Hypothesis I: *Charismatic leadership trait of strategic leader positively affects the company's financial performance.*

Since, the financial performance will be measured through different indicators, therefore, the above hypothesis will be divided into the following sub-hypotheses.

Hypothesis Ia: *Charismatic leadership trait of strategic leader positively affects the Earnings per Share (EPS) of the company.*

Hypothesis Ib *Charismatic leadership trait of strategic leader positively affects the sales of the company.*

Hypothesis Ic: *Charismatic leadership trait of strategic leader positively affects the Return on Asset (ROA) of the company.*

Hypothesis Id: *Charismatic leadership trait of strategic leader positively affects the Return on Equity (ROE) of the company.*

Hypothesis Ie: *Charismatic leadership trait of strategic leader positively affects the Net Profit Margin (NPM) of the company.*

3.2: Considerate Leadership:

Considerate leader is the person who pays special attention to his subordinates and helps them in developing themselves. He makes them feel comfortable and focuses his attention to the employees' welfare.

Considerate leader is known by his virtues of keeping the employees comfortable in their work field and he pays special attention to all the employees. It directly interacts with employees about the quality of their work, and expresses his opinion about their work. Moreover, the considerate leader also creates comfortable environment and reduces the stress of his subordinates which improves the quality of performance of his team. This suggests that by keeping the environment conducive to requirement of the employees, considerate leader improves the quality of the work employees.

From above discussion, it can be concluded that by giving personal attention to every employee and by providing guidance to each employee, the considerate leader significantly makes the environment more comfortable for the employees.

Keeping in view the above discussion the following hypothesis is developed:

Hypothesis II: *Considerate leadership trait of strategic leader positively affects the company's financial performance.*

Since, the financial performance will be measured through different indicators, therefore, the above hypothesis will be divided into the following sub-hypotheses.

Hypothesis IIa: *Considerate leadership trait of strategic leader positively affects the Earnings per Share (EPS) of a company.*

Hypothesis IIb: *Considerate leadership trait of strategic leader positively affects the sales revenue of a company.*

Hypothesis IIc: *Considerate leadership trait of strategic leader positively affects the Return on Asset (ROA) of a company.*

Hypothesis IId: *Considerate leadership trait of strategic leader positively affects the Return on Equity (ROE) of a company.*

Hypothesis IIe: *Considerate leadership trait of strategic leader positively affects the Net Profit Margin of a company.*

3.3: Transactional Leadership:

Transactional leader is an individual who focuses on to improving the task of his employees by reinforcing the link between performance and reward. Also, he works to eradicate the deviations from work and takes actions whenever mistakes are made. Thus, transactional leader is the one who gets the employees motivated by rewarding them for their good performance.

"A transactional leader is one who operates within an existing system or culture (as opposed to trying to change them) by: (1) attempting to satisfy the current needs of followers by focusing on exchanges and contingent reward behavior and (2) paying close attention to deviations, mistakes, or irregularities and taking action to make corrections." (Bass, 1985)

Keeping in view the above discussion, following hypothesis is developed:

Hypothesis III: *Transactional leadership trait by strategic leader positively affects the company's financial performance.*

Since the financial performance will be measured through different indicators, therefore, the above hypothesis will be divided into the following sub-hypotheses.

Hypothesis IIIa *Transactional leadership trait by strategic leader positively affects the Earnings per Share (EPS) of a company.*

Hypothesis IIIb: *Transactional leadership trait by strategic leader positively affects the sales of a company.*

Hypothesis IIIc: *Transactional leadership trait by strategic leader positively affects the Return on Asset (ROA) of a company.*

Hypothesis IIId: *Transactional leadership trait by strategic leader positively affects the Return on Equity (ROE) of a company.*

Hypothesis IIIe: *Transactional leadership trait by strategic leader positively affects the Net Profit Margin of a company.*

3.4: Charismatic and Considerate Leadership

In the case of combination of charismatic and considerate leadership, the leader will be the person or a group of persons who not only practice all the aspects of charismatic leadership but also of considerate leadership. In this case a, person will not only articulate a vision in his employees and show determination while expressing his confidence in them but also helps them for their development. He also focuses on the welfare of his employees.

Therefore the following hypothesis can be developed.

Hypothesis IV: *A combination of charismatic and considerate leadership positively affects the financial performance of a company.*

Since the financial performance will be measured through different indicators, therefore, the above hypothesis will be divided into the following sub-hypotheses.

Hypothesis IVa: *A combination of charismatic and considerate leadership positively affects the Earnings per Share (EPS) of a company.*

Hypothesis IVb: *A combination of charismatic and considerate leadership positively affects the sales revenue of a company.*

Hypothesis IVc: *A combination of charismatic and considerate leadership positively affects the Return on Asset (ROA) of a company.*

Hypothesis IVd: *A combination of charismatic and considerate leadership positively affects the Return on Equity (ROE) of a company.*

Hypothesis IVe: *A combination of charismatic and considerate leadership positively affects the Net Profit Margin of a company.*

3.5: Charismatic and Transactional Leadership

In the case of a combination of charismatic and transactional leader, the leader will be the person or a group of persons who not only practice all the aspects of charismatic leadership but also of transactional leadership. In this case, a person will not only articulate a vision in his employees and show determination while expressing his confidence in them but also focus his attention on the deviations and mistakes and will re-enforce the link between performance and reward.

Therefore the following hypothesis can be developed.

Hypothesis V: *A combination of charismatic and transactional leadership positively affects the company's financial performance.*

Since the financial performance will be measured through different indicators, therefore, the above hypothesis will be divided into the following sub-hypotheses.

Hypothesis Va: *A combination of charismatic and transactional leadership positively affects the Earnings per Share (EPS) of a company.*

Hypothesis Vb: *A combination of charismatic and transactional leadership positively affects the sales of a company.*

Hypothesis Vc: *A combination of charismatic and transactional leadership by positively affects the Return on Asset (ROA) of a company.*

Hypothesis Vd: *A combination of charismatic and transactional leadership positively affects the Return on Equity (ROE) of a company.*

Hypothesis Ve: *A combination of charismatic and transactional leadership by positively affects the Net Profit Margin of a company.*

3.6: Transactional and Considerate leadership

In the case of a combination of transactional and considerate leader, the leader will be the person or a group of persons who not only practice all the aspects of transactional leadership but also of considerate leadership. In this case, a person will not only focus his attention on the deviations and mistakes, and will re-enforce the link between performance and reward but also helps the employees on the personal level in developing themselves, and focuses his attention on the welfare of his employees.

Therefore the following hypothesis can be developed.

Hypothesis VI: *A combination of transactional and considerate leadership positively affects the company's financial performance.*

Since the financial performance will be measured through different indicators, therefore, the above hypothesis will be divided into the following sub-hypotheses.

Hypothesis VIa: *A combination of transactional and considerate leadership positively affects the Earnings per Share (EPS) of a company.*

Hypothesis VIb: *A combination of transactional and considerate leadership positively affects the sales revenue of a company.*

Hypothesis VIc: *A combination of transactional and considerate leadership positively affects the Return on Asset (ROA) of a company.*

Hypothesis VId: *A combination of transactional and considerate leadership positively affects the Return on Equity (ROE) of a company.*

Hypothesis VIe: *A combination of transactional and considerate leadership positively affects the Net Profit Margin of a company.*

3.7: Charismatic, Considerate and Transactional Leadership

In the case of a combination of all three types of leaderships, that is charismatic, considerate and transactional the leader will be the person or group of persons who will practice all there type of leadership simultaneously.

Thus having more factors for motivation, the chances of employees being motivated, will increase which will have a positive impact on the financial performance of a company. Therefore, the following hypothesis can be developed.

Hypothesis VII: *A combination of charismatic, considerate and transactional leadership positively affects the company's financial performance.*

Since the financial performance will be measured through different indicators, therefore, the above hypothesis will be divided into the following sub-hypotheses.

Hypothesis VIIa: *A combination of charismatic, considerate and transactional leadership positively affects the Earnings per Share (EPS) of a company.*

Hypothesis VIIb: *A combination of charismatic, considerate and transactional leadership positively affects the sales revenue of a company.*

Hypothesis VIIc: *A combination of charismatic, considerate and transactional leadership positively affects the Return on Asset (ROA) of a company.*

Hypothesis VIId: *A combination of charismatic, considerate and transactional leadership positively affects the Return on Equity (ROE) of a company.*

Hypothesis VIIe: *A combination of charismatic, considerate and transactional leadership positively affects the Net Profit Margin of a company.*

4: Research Methodology

4.1: Methodology

The data were gathered through a questionnaire. The employees of the different companies were requested to respond to various questions given in the questionnaire.

The questionnaire contained all the necessary questions about their leadership. The financial data were taken from the financial reports of the companies under study. Then Ordinary Least Square (OLS) was used to find out any relationship between the two variables.

4.2: Sampling Procedure

At the end, only those firms were included in the sample whose employees filled the questionnaire with care, and were not reluctant to help. This measure was taken to ensure that the no survey value was biased in any kind so as to yield the true results even with limited sample.

In total, reliable data were gathered from 15 companies. Number of respondents from each company ranged from 4 to 12. Thus, an average of every question has been taken for analysis. This gives more reliable information about the leadership traits, as leadership is a qualitative measure and thus subject to difference with regard to perception and expectation of each employee. Hence, an average ensures the validity of judgment about the leaders, and reduces the chances of bias in favour of or against the leaders. (Becker & Gerhart, 1996)

4.3: Survey Measures

Bass, *et al*., (1990) presented a MLQ (Multi-factor Leadership Questionnaire) which is until now the most widespread instrument when it comes to the measurement of leadership traits. All the leadership traits: Transactional, Charismatic and Considerate are measured by using the items of MLQ. These items are given in Appendix. Items 1 and 2 of transactional leadership measures show the attitude of the leader while mistakes are made. Items 3, 4 and 5 measure the relationship of satisfied performance with the reward.

Items 1 and 2 of charismatic leader's traits account for the respect that the charismatic leader shows towards his subordinates. Item 3 of charismatic leaders' traits measure the visionary ability of the leader. Items 4, 5 and 6 measure the ability of the leader to show determination, and the ability to inculcate the sense of mission and feeling of importance.

All 3 items of considerate leadership measure the extent to which the leader gives personal attention to his subordinates. He interacts with the subordinates at personal level and helps them overcome his problems at personal level.

4.4 Financial performance

Financial performance has been measured in terms of the following factors:

- Sales Revenue
- Net Profit Margin (NPM), calculated as net profit after tax divided by sales. It gives a ratio of profit in respect of sales made.

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- Return on Asset (ROA) calculated as net profit after tax divided by total assets of a company. It measures the ability of the company to generate profit in respect of its assets.

- Return on Equity (ROE) calculated as net profit after tax divided by shareholders' equity in the firm. It measures the ability of a company to generate profit with invested money of shareholders.

- Earnings per Share (EPS) measures the portion of company's profit attributable to each outstanding share of common stock.

Financial data were taken from audited Financial Statements of the respondent firms. Audited Financial Statements of all the respondent firms were available on their respective websites.

5: Analysis

The effect of all forms of leadership (individual leadership traits and blend of two or more types of leadership) has been estimated by using ordinary least squares' (OLS) method. The effect of combined leadership has also been measured through same method by combining the leadership variables. For combined effect, first of all, different combinations of two variables were made and at the end a single variable of all three traits was generated. Variables were combined by accumulating the values of the respective type of leadership.

The values of the variable Sales revenue are in very large quantities which make it difficult to compare them. Hence, natural logarithm of the values has been calculated and used in the analysis for a better and more reliable comparison.

6: Results and Interpretation

Mixed results were observed numerically. The leadership traits were found to have positive impact on some of the financial measures while with the others, negative relationship exists. However, only those values have been analyzed which have least chance of deviation from the results, that is which are significant at 10% significance level . The t-values also show the reliability of the values. In the case of t-values 2 is the standard. The values which have t-values less than 2 are less reliable.

The table 1 gives the summary of regression analysis of individual and combined leadership traits, calculated using OLS methodology. Individual regression analysis of each variable is given in the appendix.

Charismatic leadership is found to have a considerable impact on Return on Equity (ROE), where the beta value is regressed at 4.301. It also has a positive impact on Net Profit Margin (NPM) where the beta value is regressed at 0.0708. Neither Considerate leadership nor the transactional leadership shows any significant relationship with any of the measure of financial performance.

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This gives us empirical evidence in favour of hypotheses Id and Ie, whereas no evidence is found for Ia, Ib and Ic.

The positive relationship of Financial Performance measures with charismatic leadership can be attributed to the trait of a charismatic leader in the sense that he inculcates the required confidence in his employees. He is majorly valued to make his people believe that they are doing an important work; this habit of charismatic leader leads to job satisfaction, which in turn improves the performance of employees.

Table 1: Regression Analysis (OLS)
The following table shows the beta values along with the corresponding t-values, obtained in regression analysis.

		EPS	Sales	ROA	ROE	NPM
Charismatic	Betas	39.283	-0.0818	0.117109	4.301**	.0708**
	T-values	1.37	0.1156	0.084	2.531	2.9066
Considerate	Betas	-22.223	0.0321	-0.292	-1.63	-0.0105
	T-values	1.17	0.0687	0.3175	1.457	0.6552
Transactional	Betas	-6.276	0.0201	-1.92	-0.839	-0.0357
	T-values	0.2791	0.0285	1.38	0.4949	-0.7545
charismatic and considerate	Betas	-1.784	-0.0056	-1.566	0.3351	0.0164
	T-values	0.1156	-0.0167	0.2328	0.317	1.108
charismatic and transactional	Betas	16.483*	-0.0307	-0.9027**	1.728***	.0174*
	T-values	1.88	0.146	2.127	3.092	1.987
considerate and transactional	Betas	-16.9515	0.0282	0.8315	-1.3747	-0.0188
	T-values	1.2068	0.082	1.18	1.654	1.55
charismatic, considerate and transactional	Betas	5.8751	-0.0135	-0.73318**	0.8068*	0.00986*
	T-values	1.004	0.1062	2.81	2.0222	1.8

* significant at 10% level of significance

** significant at 5% level of significance

*** significant at 1% level of significance

When the combined effect of two types of leadership is account for, the combination of both considerate and transactional ,and charismatic and considerate leaderships does not yield any significant result. However, the combination of charismatic and transactional leadership is found to have a significant effect on all the variables except for sales revenue. That is it has significant impact on Earnings Per Share (EPS), Return on Asset (ROA), Return on Equity (ROE) and Net Profit Margin (NPM). The relationship of this combination is negative with Return on Asset (ROA), greatest with Earning per Share (EPS) and most significant with Return on Equity (ROE).

This gives us empirical evidence in favor of hypotheses Va, Vd, and Ve Whereas against Vc. That is, it gives evidence that blend of charismatic and transactional leadership negatively affects Return on Asset (ROA)but has a positive effect on Earnings per Share(EPS), Return on Equity(ROE) and Net Profit Margin (NPM).

The combined effect of charismatic and transactional leadership shows some significant relationships. However, the extent of impact is less than that of charismatic alone, indicating that the transactional traits, in effect, only hinder the positive impact of charismatic traits. This negative impact of transactional leadership may be due to the fact that strict action on mistakes may build enough pressure that resulted in reduced the efficiency of work. Employees may be too conscious about avoiding mistakes that they let go of many favorable opportunities and hence the performance declines.

In case of the combination of all three types of leadership significant results are found for the relationship with ROA, ROE and NPM. A positive relationship is found to be existent with ROE and NPM whereas Negative as regards ROA. This leads to affirmative evidence for hypothesis VIId, VIIe, whereas negative for hypothesis VIIc.

In lines with the effect of charismatic and transactional, the significant values for the combined effect of all three types of leaderships are actually less than that of charismatic leadership alone. This indicates that the other two types of leadership also in fact hinder the positive effect of charismatic leadership.

In light of the above, it can be safely said that no empirical evidence was found in the favour of hypothesis II, III, IV and VI. That is transactional, considerate and combination of charismatic and considerate and combination of transactional and considerate have not any significant impact on financial measures.

Some significant relationship is found between charismatic leadership and two of financial measures which are ROE and NPM and this leads to affirmative evidence for hypothesis I. This is also because no evidence against the hypothesis I is found.

For the blend of charismatic and transactional leadership mixed results are found. Relationship with three variables which are EPS, ROE and NPM is found to be significantly positive while the relationship with ROA is found to be significantly negative. Moreover the significance level of negative relationship is far less than significance level of positive relationships. On the basis of this, the overall conclusion for hypothesis V is negative.

Similarly for the blend of all three types of leadership, the significant negative relationship supersedes the significant positive relationship, thus the hypothesis VII also stands rejected.

7:-Conclusions and Recommendations

7.1:-Conclusions

The following conclusions are based upon the result of the study:

- Charismatic leadership affects some aspects of the financial performance positively. The abilities of the charismatic leaders prove to be beneficial for some aspects of the financial performance.
- Both Considerate and Transactional leadership do not yield any significant relationship with financial performance when the leadership traits are taken in isolation.
- Transactional leadership does yield some significant results when taken with combination of Charismatic leadership. However, the extent of impact decreases in combination as compared to the impact of charismatic leader when charismatic trait was taken in isolation. Therefore, it can be concluded that transactional leadership in fact only hinders the positive effects of charismatic leadership.
- The blend of all three types of leaderships also yield mix results; it has both positive and negative impacts attached to it.
- The other types of leaderships which do yield significant positive results (blend of transactional and charismatic, and blend of charismatic, considerate and transactional) have always their measured effect
- lower than that of charismatic leadership's effect.
- The results prove that strategic leadership significantly affects the financial performance of a company.

7.2:-Recommendations

- The strategic leadership of any company must always adopt the charismatic style of leadership. It will help them achieve greater financial performance as the employees are greatly motivated by charismatic traits.
- No other type of leadership that is transactional and considerate, may be adopted as they have no significant relationship with the financial performance.
- The blend of any form of leadership with charismatic leadership do have some positive impact, however, the negative impact is also attached to it. Thus, any blend of leadership behavior that must be carefully applied after evaluating the environment, and identifying which of the strategic leadership aspects would positively affect the performance in a particular environment.

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