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Factors Affecting Organizational Effectiveness in Independent Hotels – the case of Iran

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Abstract

Because of an increasingly competitive environment managers of independent hotels need to enhance organizational effectiveness. Therefore, it is crucial to understand what factors affect effectiveness. To help achieve this, our study tests if transformational, transactional and laissez-faire leadership-styles, could indirectly influence organizational effectiveness through market and adhocracy organizational culture. Iran was chosen because it is a developing country with a growing tourist industry that has been under much restriction since the revolution. Survey data were gathered from managers of independent hotels in Iran and 340 questionnaires were returned out of 1050 distributed and examined using structural equation modelling. Our findings show that the transformational leadership-style has an indirect relationship with organizational effectiveness through the market and adhocracy culture types. However, transactional leadership has an indirect relationship with organizational effectiveness only through the market-culture type and laissez-faire only through the adhocracy-culture type. This paper adds to the body of literature on the application of the full range leadership theory, which was developed in the West, to other regional contexts as well as a fresh look into the influence of these leadership styles on other factors including organizational culture and organizational effectiveness. It also adds to the literature of independent hotels, which are an important yet under-researched part of the hospitality industry.

Keywords:

Transformational, transactional, Laissez-Faire, organizational culture, organizational effectiveness, independent Hotels

Introduction

The hospitality industry in many parts of the world is a significant contributor towards the growth of national economies and this is certainly true of the Middle East. In recent years, independent hotels, which are hotels that are not part of a chain, have become major contributors not only to the tourism and hospitality industry but also to the overall economy of the country not only because of the revenue that they generate but they are also major employers of semi-skilled and low-skilled workers (Nazarian *et al.*, 2017). However, the impact and importance of this type of hotel has been largely ignored by researchers especially in the context of developing countries in the Middle East where they have been a big contributor to both the national economy in general, and the tourism industry in particular.

According to UNWTO (2019) the international tourist arrivals in the Middle East have increased from 12.7m in 1995 to 60.5m in 2018. The income generated from international tourists in the region has increased by 13% between 2017 and 2018. The average occupancy of hotels in the region rose from 20.5% in 2017 to 45.3% in 2018 (UNTWO, 2018). In the case of Iran, the number of tourists in the financial year 2018-2019 has increased by 52% compared to 2017-2018 (Financial Tribune, 2019).

The hotel industry has a long history in Iran, however, after the 1979 revolution it became stagnated and the international chains withdrew leaving an industry composed largely of smaller businesses. According to the Cultural Heritage, Handicrafts and Tourism Agency (CHHTA), almost 90% of hotels in Iran are categorised as independent, being run either as family businesses or by individuals . Therefore, it is crucial that studies be conducted to investigate the factors affecting the independent hotels' performance/effectiveness (Nazarian *et al.*, 2019).

There are numerous factors that may have an influence on hotel performance/effectiveness in general. Due to an increasingly competitive market, independent hotels are experiencing problems with accessing limited resources (Nazarian, *et al*., 2019) so their success or failure is directly linked with the quality of their leaders and customer-facing staff. These personnel in turn have an impact on these hotels' competitiveness and customer orientation (Tavitiyaman, *et al.*, 2010). Recent studies of the hotel industry have focused on factors affecting customer satisfaction (Mohajerani & Miremadi, 2012), effects of social media (Nasihatkon *et al*., 2016) and management approaches suitable for independent hotels (Nazarian *et al.,* 2019).

For independent hotels, due to both financial and non-financial limitations, there is always an issue with acquiring appropriate resources (Nazarian, *et al.,* 2019), which could directly affect organizational performance/effectiveness and in turn customer satisfaction (García-Lillo *et al*., 2018). Due to the high level of competition between hotels, it is vital not to leave room for customer dissatisfaction and firms should always beware of any factors that may threaten their smooth relationship with customers. Factors including leadership style and organizational culture as well as communication could be considered to be essential for success (Jaiswal and Dhar, 2015; Luo *et al.*, 2017; Nazarian *et al*., 2019). Furthermore, these are things that managers can have direct impact on (Huang *et al.*, 2016). Practitioners, scholars and policy makers need to understand better how these factors work in conjunction with each other since this would present them with opportunities to ensure sustainability and maintain the competitive advantage of hotels. Therefore, it is these factors, leadership style, communication and organizational culture that are investigated in this study to find how they affect organizational effectiveness.

Leadership plays a central role in enabling the integration of individual contributions into a cooperative group effort (Hogg, 2006; Northouse, 2018; Sendjaya & Pekerti, 2010). In recent

decades, investigations of leadership-related issues in the hospitality industry have sought possible solutions to the problems of how to improve human resource management and encourage employees' performance behaviours (Boyne, 2010; Uen et al., 2012). Among the models of leadership style that have been developed the Full Range Leadership Theory introduced by Avolio and Bass (2004), which comprises transformational, transactional and passive styles, has drawn attention from academics (Dai *et al.*, 2013; Jaiswal and Dhar, 2015; Patiar and Wang, 2016), who have found this model powerful for description and analysis, and from practitioners (Jesús García-Morales et al., 2012) who have found it to be useful. Furthermore, as the hotel industry is a service industry, where the emphasis is on customer satisfaction and intention to revisit, it requires an organizational culture that promotes these by emphasising an external focus.

Organizational culture has come to be recognised as a significant factor in the success of an organization. Of the many models of organizational culture that have been developed, the Competing Values Framework (CVF) (Cameron and Quinn, 2011) has been selected for this study because of its sophistication including its ability to be a tool for organizational change. This model has two dimensions – stability/flexibility and inward/ outward focus. In this study we use the two CVF organisational culture types that have an outward focus.

Effective communication is essential for success and whichever organizational culture the organization develops. Good communication is important in situations where change implementation is required (DiFonzo and Bordia, 1998) and so is essential where flexibility must be maintained so that innovations may be fostered and responsiveness to the market produced.

The main aim of this research is to test the relationship between leadership styles and organizational effectiveness in the independent hotels through two CVF externally focused

organisational culture types, as well as to test if communication may moderate the relationship between culture and effectiveness. Our results are in some cases are inconsistent with existing literature and require some further investigation. Therefore, this study is significant since it is the first to investigate the impact of leadership style and externally focused organizational culture (Market and Adhocracy) on organizational effectiveness as well as moderating effect of communication on the relationship in independent hotels in the context of a developing country in the Middle East. The results of this study can be generalised to show how the relationships identified between the factors considered can be applied in a wider context by applying them to hotel industries in other countries and regions.

Theoretical Background and Hypotheses Development

Leadership Styles

Leadership styles have been studied from a number of perspectives including strategic human resource management (Liu et al., 2003), gender (Al-suwaihel, 2010; Alonso-Almeida et al., 2017) and many more. According to Miloloža (2016) it is important for companies to appreciate that different leadership styles have a significant impact on dimensions of financial, market, process and knowledge management that decide business performance. A number of leadership styles are found in theory and in practice that can be mainly classified into active and passive approaches (Avolio and Bass, 2004). In the hospitality industry, we can see two principle leadership styles frequently been adopted namely transformational and transactional, which are active leadership styles (Dai *et al.*, 2013; Liang *et al.*, 2017; Tuna *et al*., 2011).

The transformational leadership style is a popular one where the leader positively affects the way followers envision themselves (Lord & Brown, 2004; Tse & Chiu, 2014). On the contrary,

transactional leader motivates the subordinates to achieve pre-determined targets to enjoy rewards (Rodrigues, *et al.,* 2015). In the Laissez-faire leadership style, there is minimal or no intervention by the leader thus it is a passive leadership style. For a highly labour-intensive industry like hospitality, such a passive leadership style has been found not to be useful; thus our focus is only on active leadership styles. According to the Full Range Leadership model, all leaders display both active and passive leadership but in different proportions (Avolio et al., 1999). Rothfelder et al. (2013) found that transformational leadership is generally considered more effective in the hotel industry compared to transactional leadership and this finding is consistent with many past studies.

The impact of leadership on different variables that underpin organizational effectiveness such as employees' job satisfaction (Al-ababneh, 2013), employees' commitment to service quality (Mohamadkhani *et al.*, 2012) and organizational commitment (Alkahtani, 2015) has been an object of interest of many studies conducted in the Middle East. However, the extant literature of leadership is still polarised towards the Western world whereas its effectiveness for studies elsewhere has not been sufficiently examined. Moreover, while there has been a considerable amount of research conducted on luxury hotels (Dai *et al.*, 2013; Patiar and Wang, 2016; Quintana *et al.*, 2015) little consideration has been given to leadership in small-scale independent hotels, a gap in the literature we intend to address. A study by Nazarian et al. (2019) found there is no direct impact of either transformational or transactional leadership style on effectiveness in small and medium-sized independent hotels whereas this contradicted the study conducted by Dai et al. (2013) on international tourist hotels in Taipei City which found that leadership styles have different impacts on elements such as organizational justice, organizational commitment, trust and organizational citizenship behaviour.

Organizational Culture

Cameron and Quinn (2011) emphasize that the most frequent reason for organizations' failure is to neglect the organizational culture. Many scholars have found that hotels face severe competition due to the inherent nature of the industry (Nadiri and Tanova, 2010; Nazarian *et al*., 2017); therefore, they should pay attention to developing an appropriate organizational culture.

The Competing Values Framework (CVF) is a widely used tool to measure organizational culture and organizational effectiveness (Quinn & Rohrbaugh, 1983). The CVF comprises two dimensions – flexibility/ stability and inward/ outward focus – which can be arranged at right angles to each other to form a quadrant producing four culture types - clan, hierarchy, adhocracy and market - where each culture type emphasises a specific set of values that are essential for organizational success. According to Quinn, (1988), all organizations always have all four culture types present though in different proportions at different times. It is argued that finding the optimal balance between these culture types for the organization's specific circumstances produces organizational effectiveness (Hartnell *et al*., 2011).

For this paper, adhocracy and market culture have been selected since these culture types are where the emphasis is on the external environment rather than on internal matters (Cameron and Quinn, 2011). Adhocracy culture prioritises innovation for organizational success (Tajeddini, 2010; Tajeddini & Trueman, 2012). Organizations that thrive to become market leaders in dynamic environments often have this as their dominant culture type (Naranjo-Valencia *et al.*, 2016). On the other hand, market culture is where the organization concentrates on its customers and competitors and where its ultimate goal is market share (Cameron and Quinn, 2011). The market culture characteristics of competitiveness and customer orientation are factors that are essential for

success in the hotel industry (Tajeddini, 2010). A quantitative study in the Turkish logistics industry found that neither transactional or transformational leadership style affects adhocracy or market types of organizational culture (Acar, 2012) but no similar study has been conducted in the hospitality industry.

Being an externally oriented culture type, adhocracy culture is built on values of flexibility and change, i.e. transformation. Being visionary, risk-taking and creativity is encouraged by this culture type (Masood *et al.*, 2006; Naranjo-Valencia *et al.*, 2011). Firms that adopt an adhocracy culture are often required to outperform competition, constantly look for unique ideas and develop new products and services. At times, different factors in the external environment may require an organization to be innovative, proactive and to take risks (Behram & Özdemirci, 2014).

Effect of Transformational Leadership on Adhocracy and Market Culture

The transformational leadership style has been found to be effective in the hospitality industry (Xenikou & Simosi, 2006), and is generally considered to be more effective than the transactional leadership style (Zopiatis & Constanti, 2010). It is characterised by autonomy (Bass *et al.*, 2003), loyalty and respect (Bass, 1985) and is a proven leadership style to inspire subordinates (Dai *et al.*, 2013). Motivation is a key factor in this leadership style where it can be intrinsic or extrinsic in both leader and the subordinates.

Transformational leadership is popularly regarded as an essential style (Rowold, 2011) and achieves organizational objectives through mutual understanding of leaders and subordinates (Zopiatis and Constanti, 2010). This leadership style is also regarded as positively influencing satisfaction level of subordinates towards the leader (Jung & Avolio, 2000). Transformational leadership is positively correlated with positive emotions and job satisfaction (Bono *et al.*, 2007).

The findings of Kelloway et al. (2012) found a positive correlation between transformational leadership and psychological wellbeing, work satisfaction and happiness.

Transformational leaders are change agents and are proactive (Avolio and Bass, 2004) compared to transactional leaders which is highly relevant to success in the hotel industry. Since the hotel industry is characterised by severe market competition, scholars emphasize that senior management should adopt transformational leadership for hotels to remain competitive (Patiar and Mia, 2009). Scholars such as Testa, (2002) and Erkutlu, (2008) take a similar stance where they emphasize that major changes in the hospitality environment require leaders to be visionary about the changes that are essential for the organization.

At times, high levels of productivity and competitiveness may only be achieved via taking risks and being innovative. Since transformational leaders have a propensity to take risks and be innovative, they act as diffusers of knowledge to optimize organizational performance (May-Chiun *et al.*, 2015). A common finding of studies that measured the influence of creativity evidences that transformational leadership engenders more creativity than transactional leadership (Politis, 2004). Therefore, it is to be expected that there is a positive correlation between transformational leadership and adhocracy culture.

Thus, we propose these hypotheses:

H1-1 There is an association between transformational leadership style and adhocracy culture.

H1-2 There is an association between transformational leadership style and market culture.

Effect of Transactional Leadership on Adhocracy and Market Culture

Also known as *managerial* leadership, the transactional leadership style is based on the exchange relationship between the leader and the subordinate to meet each others' interests (Erkutlu, 2008). This leadership style can take the form of *contingent reward* or *active management by exception* (Hater & Bass, 1988). Contingent rewards stabilize an understanding between the leader and the subordinate regarding the outcomes expected and how the subordinates will be rewarded upon successful completion of allocated tasks while the leader provides the necessary guidance. This is proven to be successful where subordinates exhibit productive work behaviour when rewards are made contingent upon performance (Bergum & Lehr, 1964). Contingent rewards include appreciation, recognition and rewards for good work (Spector, 1997). Contingent rewards is consistent with the reinforcement theory of motivation, which holds that performance-related behaviours increase in frequency if rewarded (Spector, 2008). Active management by exception is present when the subordinates' actions are monitored by the leader and corrective action is taken where necessary (Erkutlu, 2008).

When practiced effectively, transactional leadership provides a good platform to promote fairness and equality that results in a stronger leader- subordinate relationship, mainly based on that trust (Walumbwa *et al.*, 2008). The transactional leadership style is expected to provide positive outcomes in stable environments (Patiar & Mia, 2009). According to Odumru and Ogbonna, (2013) transactional leaders are more concerned with processes than forward-thinking ideas. However, the transactional leadership style is criticized as being an approach to leadership that does not encourage the creative abilities of subordinates (Dai *et al.,* 2013); hence, that the effectiveness of this leadership style is limited in the context of the hospitality industry (Patiar and Mia, 2009) where employees often have to respond immediately to the needs of customers.

In the transactional leadership style, subordinates' self-interests are secured upon achievement of projected results (Pillai *et al*., 1999). Where there is such a culture, subordinates are motivated to find innovative ways to improve performance with the intention of being rewarded and this approach is consistent with adhocracy culture. Leaders clarify the expected performance standards then they can motivate subordinates to be innovative by setting the standards so that innovation is rewarded. Transactional leadership is also a style where formal structures, clear lines of authority and responsibility are created which are required for the successful implementation of a process of innovation (Oke *et al.*, 2009). Thus, formal structures and systems that are required to support exploratory innovation may be developed via this form of leadership. Since transactional leadership is mainly concerned with productivity and competitiveness, it can be said that this style of leadership is consistent with market culture. Since there is frequent communication between the leader and the subordinates, and targets are established which will be evaluated upon achievement, productivity is encouraged. Additionally, market culture is also results orientated (Schimmoeller, 2010), and so it is consistent with transactional leadership. Based on this reasoning, we propose these hypotheses:

H2-1 There is an association between transactional leadership style and adhocracy culture.

H2-2 There is an association between transactional leadership style and market culture.

Effect of Laissez-Faire Leadership on Adhocracy and Market Culture

Laissez-faire leadership is significantly different from transactional and transformational leadership styles mainly since the leaders take the "back seat" when managing subordinates. Mondy and Primeaux, (1995) explain laissez-faire as "Leaders let group members make all decisions". For effective implementation of this leadership style, subordinates must be well

motivated experts, possibly specialists in their respective fields (Chaudhry & Javad, 2012; Khan & Rashid, 2015).

It has been suggested that the laissez-faire style is an unproductive and inefficient style of leadership (Furtner *et al.*, 2013). Staff motivation from managers adopting this leadership style is minimal since the management intention is very low (Chaudhry and Javed, 2012) and this was confirmed by a meta- analytics review conducted by Judge and Piccolo, (2004). With passive leadership and avoidance of intervention, decisions tend to be delayed and rewarding subordinates may be overlooked (Bass, 1990).

The applicability of this leadership style is notably problematic for the hotel industry where the majority workers are categorised as unskilled and semi- skilled (Guerrier, 1999). In their study on laissez-faire leadership in a boutique hotel, Erkutlu and Chafra, (2006) found that the style resulted in negative outcomes in organizational performance including increased stress levels, low commitment and low satisfaction.

Organizational success can be achieved via adhocracy and market culture but requires a strong relationship between leaders and subordinates, which is almost non- existent in laissez-faire leadership. Thus, this leadership style poses a notable constraint on organizations that need adhocracy or market cultures. Based on this evidence these hypotheses are proposed.

H3-1-H3-2: There is an association between laissez-faire leadership and adhocracy culture and market culture.

Organizational Effectiveness

Erkutlu (2008) defines organizational effectiveness as the way a firm utilises its resources to fulfil objectives without straining its stakeholders. It can also be seen as the way an organization raises capital, maintains satisfied employees and customers, functions stress-free and achieves its goals (Swanson *et al.*, 2001). Organizational effectiveness should be managed through inputs, processes and outputs of a firm. Effectiveness is also concerned with how well the organization can manage the forces it is exposed to from the external environment (Nazarian & Atkinson, 2015).

Maintaining satisfied employees is a challenge in the hotel industry due to lengthy shifts, low pay (Knox, 2011), low recognition and seasonal employment (Alan *et al.*, 2010). Hospitality scholars have found that job satisfaction is associated with a number of factors including but not limited to customer perceptions (Hee Yoon *et al*., 2001), interpersonal tensions (O'Neill and Davis, 2011), quality of service (Mokaya *et al*., 2013) and ethical leadership (Çelik *et al*., 2015). Reward systems are also important, and a study conducted among frontline hotel employees in Malaysia found that both financial and non- financial rewards affect job satisfaction (Bustamam *et al*., 2014).

Many previous studies have confirmed the effect of organizational culture on effectiveness. Behram and Özdemirci's (2014) study of the impact of corporate entrepreneurship on organizational culture and organizational effectiveness found that adhocracy and market cultures positively influence firm performance. The findings of a study conducted among hospitality employees in Turkey shows that both adhocracy and market cultures are negatively correlated with employee turnover intentions (Ozturk *et al*., 2014). A study of hotel employees in Isfahan, Iran, shows that orientation to innovativeness and customers have a significant influence on hotel performance (Jalilvand, 2017) and this study concluded that innovativeness orientation influences

customer orientation. Another study conducted in Iran also confirms that leadership and organizational culture are strong contributors to organizational effectiveness (Kafashpoor *et al*., 2013).

Based on these studies, the following hypotheses are proposed:

H4-1-H4-2: There an association between adhocracy culture and market culture and organizational effectiveness.

Communication

Communication also has an impact on effectiveness. Husain (2013) pointed out reduced uncertainty, job security, employee commitment and participation can be achieved via effective communication. Effective communication is deemed to be vital in the hotel industry for enhanced service quality (Lahap *et al.,* 2016) customer loyalty (Narteh *et al.,* 2013) and to empower employees (Ayupp and Chung, 2010).

To be innovative and take risks requires a great deal of communication between the leaders and subordinate in an adhocracy culture environment. In adhocracy culture, teams may be formed and dispersed quickly to respond to changes in the market. The importance of communication is unavoidable in teams where according to Chermack et al. (2010) effective communication must be present for team members to discuss ideas, exchange information and listen actively to colleagues and customers. Further, if the organization is adopting a market culture, continuous and regular communication is much needed with all stakeholders. Therefore, we propose these hypotheses:

H5-1-H5-2: Communication moderates the relationship between adhocracy and market culture with organizational effectiveness

Conceptual Framework

The conceptual framework proposed for this research (Figure 1) indicates the relationships between the variables included in the study. The leadership styles - transformational, transactional and laissez-faire - used in this study as independent variables were measured using the Full Range Leadership Theory proposed Bass and Avolio (2004); organizational culture including Adhocracy and Market, taken as intervening variables, were measured using questions based on Competing Value Framework proposed by Cameron and Quinn (2011); organizational effectiveness, taken as the dependent variable in this study, was measure using questions developed from the Competing Value Framework by Nazarian (2013) and finally communication, taken as a moderator in this study, was measured using questions developed by Nazarian (2013) and Downs and Adrian (2004).

For the purpose of this study it has been assumed that leadership style is the context that creates organizational culture (adhocracy and market) and organizational culture is the context that creates an environment that makes an organization more or less effective. Therefore, it could be argued that if leadership style has an impact on organizational culture, and organizational culture is one of the factors that influence organizational effectiveness, then leadership styles have an effect on organizational effectiveness and organizational culture (adhocracy and market) intervenes in the leadership-effectiveness relationship. Furthermore, communication plays an important role in the success or failure of any organization, so it has been taken as a moderating factor in the relationship between organizational culture and effectiveness. The proposed relationships between the four constructs are presented in Figure 1

Methods

The articulated research hypotheses were scrutinised through hotel managers in Iran and offer ultimate research context to examine the variable of interest. Using information provided by the Culture, Heritage, Handicrafts and Tourism Agency website, which provides information on hotels in Iran, the four major tourist cities of Iran were chosen in this study as Tehran, Mashhad, Shiraz and Isfahan (irantourismcenter.com, 2019). Then, a list of independent hotels (not chain or privately owned) from different sizes in these four cities were drawn up. According to Iranian CHHTA website hotels with less than 50 employees are considered as small, between 50-249 medium and above 250 employees are considered as large. 105 hotels that were more accessible and convenient were approached for this study. From these, 45 hotels agreed to participate. An online questionnaire was designed based on existing instruments to measure seven constructs which were transformational, transactional and laissez-faire leadership, organizational culture, organizational effectiveness, and communication.

The questionnaires were distributed among 1050 managers working in those hotels employing the non-random/convenience sampling technique (easily accessible managers) to reduce possible bias regarding the generalisability and validity of the measurement scales (Bryman & Bell, 2011; Foroudi, 2019). 340 usable questionnaires were returned and investigated. Convenience sampling could develop skewed-data due to the respondent misrepresentation, so, it leads to inconclusive and biased results. It was a great opportunity to achieve vital information from a relatively few respondents to describe the total population characteristics (Bryman and Bell, 2011).

Measures

The questionnaire used recognized scales from previous research. Transactional leadership was measured through the sub-constructs *contingent reward* and *management-by-exception (active)* based on the recommendation by Bass and Avolio (2004). Transformational leadership was tested through four sub-constructs: *idealized influence (behaviour), idealized influence (attributed), inspirational motivation* and *intellectual stimulation*. Laissez-faire leadership was measured through *management-by-exception (passive)* and *laissez-faire*. Culture was examined via market culture and adhocracy culture (Cameron and Quinn, 2011). Organizational effectiveness was measured using an instrument developed in a study by Nazarian (2013). Communication method (Downs & Adrian, 2004; Nazarian, 2013) was also obtained from existing scales. The items employed in this study are shown in Table 2. All items were measured using a seven-point Likert scale (1=strongly disagree, 7=strongly agree). Table 1 shows 51.8% were female, postgraduate (54.4%) aged between 35 and 44 (35.6%) and 45-54 (34.4%). They were working as middle manager (42.9%) at large companies (56.5%).

<<<Insert Table 1 here>>>

Analysis and Results

The preliminary study measurement items were examined to determine the reliability of their performance within the entire sample. A two-step approach was used based on Anderson and Gerbing (1988). Existing items that were employed in Western countries were used in non-Western countries. Based on the suggestions by Foroudi (2019) and Hair et al. (2013), in the first stage exploratory factor analysis (EFA) was run for reducing the numbers of indicator variables (observed) to a smaller and more controllable. All scales presented acceptable reliability and

adequate internal consistency (Cronbach's alpha <0.884) (Nunnally, 1978). KMO's measure of sampling adequacy is 0.875>.6, which proposes appropriateness for EFA; furthermore, the associations between the items are statistically significant and offer a parsimonious set of factors (Tabachnick & Fidell, 2007) (Table 2).

<<<Insert Table 2 here>>>

In the second stage of analysis, we employed confirmatory factor analysis (CFA) via SPSS/Amos to evaluate the construct uni-dimensionality; the investigation of each subset of items was internally reliable and validated the constructs on the basis of the measurement models (Foroudi, 2019; Gerbing & Anderson, 1988). Discriminant and convergent validity were scrutinized on the basis of construct reliabilities (Gerbing and Anderson, 1988). Discriminant validity showed that the correlations between factors were less than the suggested value of 0.92 (Kline, 2005). Convergent validity was used to examine the homogeneity of the constructs via average variance extracted (AVE) for each construct which ranged from 0.525 to 0.967>.5, which indicates adequate convergent validity. Table 2 describes the descriptive statistics and correlation matrix for each construct. Table 3 shows the correction matrix among the constructs.

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The structural model fit was tested through goodness-of-fit indices (RMSEA–Root Mean Square Error of Approximation, .062; CFI–Comparative fit index, .918; IFI; Incremental Fit Index, .919; and TLI–Tucker-Lewis index, .914) the 'favourable' fit values offer an adequate fit to the data and confirms the uni-dimensionality of the measures (Gerbing and Anderson, 1988). Then, hierarchical linear regression analysis was used to test the research hypotheses. To address multi-collinearity,

our study recognized procedures to mean center related variables before producing proposed interaction terms to evaluate the hypotheses.

The results in Table 4 support H1-1 and H1-2. Thus, there are relationships transformational and adhocracy culture (β=1.02, t=5.979) and transformational and market culture (β=0.47, t=4.611) were significant. Surprisingly, in the hypothesized model the effect of transactional and adhocracy culture was insignificant (H2-1: β=0.279, t=1.418, p=0.156). Hypothesis 2-2 (transactional ⬜ market culture) was accepted (β=0.469, t=2.442). With regard to research hypothesis 3-1, the result shows the significant impact of laissez-faire on adhocracy culture (β=.288, t=4.157), which was unexpected. However, there was an expected result for laissez-faire and market culture (H3-2: β=-0.105, t=-1.161, p=0.246) where the result was non-significant. In the hypothesized model there was an effect of adhocracy culture on organizational effectiveness (H4-1: β=.44, t=8.353). The results of standardized regression path for the impact of market culture on organizational effectiveness (hypothesis 4-2) shows an insignificant relationship (β=0.18, t=2.39). For the effects of moderators, it was found that communication method strengthens the positive relationship between market culture and organizational effectiveness. Also, communication method strengthens the positive relationship between adhocracy culture and organizational effectiveness (Figure 2).

<<<Insert Figure 2 here>>>

<<<Insert Figure 3 here>>>

<<<Insert Table 3 here>>>

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Discussion and Conclusion

The main aim of this research was to examine the effect of transformational, transactional and laissez-faire leadership styles on organizational effectiveness in independent hotels in a growing but underdeveloped hotel industry in Iran. In addition, this study's secondary aim was to find out if market and adhocracy organizational cultures play any part in this relationship. The constructs used in this study have been used and tested in the other contexts including large hotels in both developed and developing countries. The results of this study proved to be different from what we expected from the literature where the data was gathered in chain and larger organizations. These results are not only interesting but also useful for both practitioners and academics in tourism and hospitality. From a theoretical point of view, this study not only contributes to the hospitality literature but also contributes to organizational studies and theories (Sandberg & Alvesson, 2011) in the areas of leadership styles, organizational culture and effectiveness.

The results surprisingly show that in the case of independent hotels in Iran the transactional leadership style has no relationship with adhocracy culture whereas laissez-faire leadership does. Furthermore, transactional leadership shows a significant relationship with market culture while the laissez-fair does not. These results were not expected as according to previous studies in this field there are significant relationships for transactional leadership style with both adhocracy and market culture (Khan & Rashid, 2015; Nazarian, 2013), whereas laissez-faire shows no relationship with either market or adhocracy culture (Alkhamali, 2014). This is a useful finding as it shows that the general perceptions toward leadership styles and their relationship with other constructs like organizational culture or organizational effectiveness require re-thinking, review and further research (Buil *et al.*, 2019; Luo *et al.*, 2017; Nazarian, 2013). On the other hand, the results also show that the transformational leadership style has significant influence on both

adhocracy and market culture which were expected, and it is consistent with previous studies in this field. Furthermore, our results show that transformational leadership unlike the other two leadership styles has significant indirect relationship with organizational effectiveness through both market and adhocracy culture in this study. However, both transactional and laissez-fair leadership styles have also shown significant indirect relationship with organizational effectiveness only through one of the organizational culture types which are market and adhocracy respectively. These results could indicate that in the case of independent hotels, although transformational leadership may be useful with a wider range of organizational cultures, perhaps its combination with other leadership styles in contexts such as independent hotels in developing countries with growing hotel industries could be used to achieve greater effectiveness. However, this requires further research not only in the hotel industry but also in other industries.

As far as theoretical standpoint is considered these results require careful consideration. Although, it could be argued that one of the obvious sources of these anomalies is the nature of the data collected for this study as compared with previous studies that normally collected data from larger or chains hotels (Domínguez-Falcón, *et al.*, 2016; Karatepe and Karadas, 2015; Nazarian, *et al.*, 2019), this study collected data from independent hotels in Iran. On the other hand, it should not be ignored that independent hotels are one of the main contributors to the tourism industry not only in Iran but also in other countries that have more established tourism industries (Nazarian *et al*., 2019). It is important to investigate the impact of leadership style on organizational culture, and consequently on the organizational effectiveness, in independent hotels in a developing country it is more likely that managers in developing countries such as Iran may have less of a legal-rational mind set (Nazarian *et al.,* 2019) which is due the influence of these individuals in small and medium hotels(Nazarian et al., 2020).

Therefore, it seems both leadership style and organizational effectiveness are culturally variable and require further research in the context of growing industries in developing countries. It is crucial to investigate this variability but also to review our understanding of leadership styles, and their impact on organizational effectiveness in independent hotels, that may not act in the same as in chain and larger hotels due to nature of the work.

Although there have been criticisms of the category of laissez-faire leadership style, full range theory has been successfully adopted and used in many studies in different countries (Chen and Wu, 2017; Nazarian *et al*., 2019). A large number of studies of leadership in different disciplines including tourism management have explored the impact of both transformational and transactional leadership on different aspects of organizations such as citizenship behaviours (Dai, *et al.,* 2013), effectiveness(Nazarian *et al*., 2019; Nazarian, 2013; Nazarian *et al*., 2020), and performance (Nazarian, *et al.*, 2017; Patiar and Wang, 2016) but the impact of the laissez-faire (passive) leadership style has been ignored. This could be as a result of a current of opinion in the literature that has argued laissez-faire (passive) is, in fact, not an actual leadership style (Ejere & Abasilim, 2013). However, our findings show that in the study of independent hotels, all three leadership styles play an important role. It should not be ignored that these hotels are mostly family run businesses with small numbers of employees who are mostly part of the larger family associated with owner and, therefore, the existence of laissez-faire leadership could be a result of the people involved in the business.

In this study we also tested if communication is related to organizational effectiveness and our results show that communication could play an important role in enhancing organizational effectiveness in the context of independent hotels. Generally, leaders and managers in smaller hotels, due to the small number of people involved in the organization, are under the impression

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that informal communication is the best method and pay little attention to formal communication. However, although informal communication may increase cohesion and closeness among employees, formal communication could also improve team working, and goal setting as well as reducing confusion, repetition and misunderstanding. As was expected, effective communication can enhance effectiveness and our results show that effective communication can strengthen the relationship between both organizational cultures and organizational effectiveness. This indicates that managers in independent hotels should pay attention to the communication methods used as effective communication would enhance organizational effectiveness.

Theoretical Contribution

This study could have potentially important theoretical implications for scholars of tourism management as the constructs used in this study may not behave in the same way in different contexts. The results of this study contribute to a growing body of literature in hospitality management by suggesting that the constructs developed in the context of large organizations situated in Western culture may not behave in the same way in other contexts without some major modifications (Minkov and Hofstede, 2012; Oc, 2018). Thus, there is a need for further research not only on the relationships between these constructs in different contexts but there is also a need to provide a different perspective on how these constructs behave in culturally different contexts defined and viewed by employees.

Practical Implications

The unexpected result that there is no relationship between transactional leadership and adhocracy culture and, on the other hand, that there is a positive relationship between laissez-faire leadership and adhocracy culture in the context of independent hotels could indicate that the assumption that

one style of leadership could result in higher effectiveness may not be valid. Therefore, it could be argued that the adoption of either of these leadership styles alone cannot necessarily result in higher effectiveness. The more specific implication of this study for managers of independent hotels is that they need to pay more attention to specific factors that influence organizational effectiveness including leadership style and organizational culture. The more general implication of this study for mangers is that they cannot assume the independent hotels or will behave in the same way that larger or chain hotels do.

As there are some indirect relationships between all three leadership styles and organizational effectiveness through the organizational culture types, managers need to pay careful attention to factors including culture to enhance organizational effectiveness. Furthermore, from our results it could also be argues that managers, rather than being too concerned about their style of leadership, should pay more attention to factors that influence effectiveness (Buil *et al*., 2019). There is a need for further studies to understand how other factors that might intermediate the relationship between leadership and effectiveness would work in different contexts with culturally different employees.

Limitations and future studies

The main aim of this research is to help managers of independent hotels to find an appropriate leadership style and organizational culture to enhance organizational effectiveness in order to be more competitive in the fierce hospitality market. As explained by other researchers in this area (Nazarian *et al*., 2019) the nature of the data could be considered as the main limitation of this study. As mentioned in the introduction section around 90 percent of hotels in Iran are considered as independent hotels in different sizes from small to large which is a large portion of the industry. This study produced some unexpected results that could be the result of the sample used in this study. We would suggest some further studies on independent hotels in different countries and

compare the results by taking national culture as a moderator. Furthermore, from our results it is clear that there is a need for further investigation to discover the best mix of leadership styles that help to enhance organizational effectiveness.

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Table 1: Details of Participants

	Frequency	Percent		Frequency	Percent
Size of company			Education		
Small	48	14.1	PhD	24	7.1
Medium	100	29.4	Postgraduate	185	54.4
Large	192	56.5	Undergraduate	130	38.2
Gender			Pre university	1	.3
Male	164	48.2	Position		
Female	176	51.8	Chief Executive	25	7.4
Age			Senior Management	106	31.2
Under 25	1	.3	Middle Management	146	42.9
25-34	34	10.0	Junior Management	63	18.5
35-44	121	35.6			
45-54	117	34.4			
55-64	61	17.9			
65 and over	6	1.8			

Table 2: **Study constructs, scale items, exploratory factor analyses and reliability of measures**

Construct-and-items	Factor analysis	Mean	St. Dev	Cron.@	AVE	CR
Transactional-leadership						
Bass-and-Avolio (2004)						
Contingent-Reward				**0.901**	0.798	0.728
Discusses-in-specific-terms-who-is-responsible-for-achieving-performance-targets	0.814	5.2059	1.54537			
Makes-clear-what-one-can-expect-to-receive-when-performance-goals-are-achieved	0.928	5.4382	1.56633			
Expresses-satisfaction-when-I-meet-expectations	0.931	5.3765	1.59628			
Management-by-Exception				**0.934**	0.759	0.723
Concentrates-his/her-full-attention-on-dealing-with-mistakes-complaints-and-failures	0.866	5.4294	1.54319			
Keeps-track-of-all-mistakes	0.874	5.4912	1.50415			
Directs-my-attention-toward-failures-to-meet-standards	0.866	5.4618	1.58951			
Transformational-leadership						
Bass and Avolio (2004)						
Idealize Influence (Attribute)				**0.943**	0.770	0.778
Goes-beyond-self-interest-for-the-good-of-the-group	0.899	5.3794	1.50521			
Acts-in-ways-that-builds-my-respect	0.860	5.0794	1.49419			
Displays-a-sense-of-power-and-confidence	0.901	5.4000	1.48701			
Specifies-the-importance-of-having-a-strong-sense-of-purpose	0.853	5.3588	1.36564			
Idealize-Influence (Behaviour)				**0.902**	0.632	0.761
Considers-the-moral-and-ethical-consequences-of-decisions	0.764	5.6912	1.28363			
Emphasizes-the-importance-of-having-a-collective-sense-of-mission	0.795	5.5647	1.26395			
Talks-optimistically-about-the-future	0.817	5.8853	1.24626			
Articulates-a-compelling-vision-of-the-future	0.770	5.6706	1.30249			

Inspirational-Motivation				**0.967**	0.872	0.789
Expresses-confidence-that-goals-will-be-achieved	0.936	5.6088	1.48242			
Re-examines-critical-assumptions-to-question-whether-they-are-appropriate	0.924	5.4471	1.59280			
Seeks-differing-perspectives-when-solving-problems	0.937	5.6147	1.46596			
Gets-me-to-look-at-problems-from-many-different-angles	0.937	5.5059	1.48044			
Intellectual-Stimulation				**0.919**	0.589	0.754
Spends-time-teaching-and-coaching	0.786	5.7471	1.29242			
Treats-me-as-an-individual-rather-than-just-as-a-member-of-a-group	0.814	5.6353	1.41711			
Helps-me-to-develop-my-strengths	0.784	5.7294	1.44629			
Laissez-faire-Leadership						
Bass and Avolio (2004)						
Management-by-Exception-Passive				**0.903**	0.586	0.751
Fails-to-interfere-until-problems-become-serious	0.871	5.7059	1.33546			
Waits-for-things-to-go-wrong-before-taking-action	0.872	5.5471	1.45963			
Shows-that-he/she-is-a-firm-believer-in-"If-it-ain't-broke-don't-fix-it"	0.835	5.4853	1.36207			
Laissez-faire-Leadership				**0.947**	0.964	0.724
Is-absent-when-needed	0.865	5.0353	1.61078			
Avoids-making-decisions	0.877	4.9735	1.61735			
Delays-responding-to-urgent-questions	0.870	5.2353	1.56018			
CULTURE						
Cameron-and-Quinn (2011)						
Market-Culture				**0.932**	0.767	0.778
The-management-style-in-the-company-is-characterized-by-hard-driving-competitiveness-high-demands-and-achievement	0.790	5.6824	1.30993			
The-'glue'-that-holds-the-company-together-is-the-emphasis-on-achievement-and-goal-accomplishment	0.892	5.6941	1.34163			

The-company-emphasizes-competitive-actions-and-achievement-Hitting-stretch-targets-and-winning-in-the-marketplace-are-dominant	0.931	5.7676	1.35960			
The-company-defines-success-on-the-basis-of-winning-in-the-marketplace-and-outpacing-the-competition-Competitive-market-leadership-is-the-key	0.889	5.7500	1.31224			
Adhocracy-Culture				0.896	0.654	0.764
The-company-is-a-personal-place-it-is-like-an-extended-family-People-seem-to-share-a-lot-of-themselves	0.839	5.2912	1.81616			
The-leadership-in-the-company-is-generally-considered-to-exemplify-mentoring-facilitating-or-nurturing	0.820	5.3382	1.82744			
The-'glue'-that-holds-the-company-together-is-loyalty-and-mutual-trust-Commitment-to-the-company-runs-high	0.816	5.1941	1.82832			
The-company-defines-success-on-the-basis-of-the-development-of-human-resources,-teamwork-employee-commitment-and-concern-for-people	0.760	5.5118	1.66426			
Organizational-effectiveness Nazarian (2013)				0.934	0.524	0.762
In-my-organization-the-number-of-employee-complaints-about-their-job-experience-received-at-the-organization-is-decreasing.	0.841	5.4353	1.70508			
In-my-organization-the-number-of-employee-visit-the-consulting-centre-is-decreasing.	0.815	5.5147	1.72687			
In-my-organization-managers-and-supervisors-are-satisfied-with-their-jobs-and-employment.	0.795	5.5118	1.68014			
In-my-organization-absenteeism-of-managers-and-supervisor-is-decreasing	0.817	5.4471	1.71067			
In-my-organization-training-and-development-greatly-valued.	0.830	5.4529	1.63322			
In-my-organization-employee's-attendance-at-professional-training-course-is-increasing.	0.868	5.5647	1.63802			
In-my-organization-the-number-of-training-course-offered-to-employees-is-increasing.	0.813	5.4118	1.68662			
In-my-organization-regular-and-continuous-non-professional-activities-offered-for-employee's-personal-development-is-increasing.	0.807	5.4265	1.65200			
My-Organization-encourages-teamwork-among-employees	0.823	5.3529	1.55684			

In-my-organization-there-is-a-good-level-of-trust-in-the-management's-view-of-the-workforce-as-a-team.	0.874	5.3676	1.58444			
My-organization-believes-that-employees-are-more-effective-when-working-as-a-team.	0.843	5.3235	1.63156			
Communication-Method Downs-and-Adrian (2004) and-Nazarian (2013)				0.884	0.930	0.711
My-organization-promotes-important-communication-should-be-transferred-by-formal-channels.	0.627	5.0706	1.71778			
My-organization-has-a-very-effective-system-of-communication-to-transfer-management-information.	0.894	5.2441	1.63004			
In-my-organization-communications'-methods-are-effective-at-all-levels.	0.887	5.2353	1.62500			

Table 3: Correction matrix

	Market culture	Adhocracy culture	Communication method	Contingent reward	Management-by-exception active	Idealized influence (attributed)	Idealized influence (behaviour)	Inspirational motivation	Intellectual stimulation	Management-by-exception passive	Laissez-faire leadership	Organizational effectiveness
Market-culture	1											
Adhocracy-culture	.234**	1										
Communication-method	.187**	.302**	1									
Contingent-reward	.270**	.124*	0.089	1								
Management-by-exception-active	.223**	.312**	.179**	.251**	1							
Idealized-influence (attributed)	.263**	.212**	.197**	.110*	.195**	1						
Idealized-influence (behaviour)	.274**	.365**	.187**	.149**	.400**	.351**	1					
Inspirational-motivation	0.086	.149**	.164**	0.035	.165**	.253**	.211**	1				
Intellectual-stimulation	.325**	.374**	.197**	.129**	.444**	.448**	.628**	.295**	1			
Management-by-exception-passive	.143**	.237**	.102*	0.088	.302**	.169**	.279**	.141**	.332**	1		
Laissez-faire-leadership	.199**	.258**	.196**	.096*	.359**	.340**	.411**	.226**	.470**	.339**	1	
Organizational-effectiveness	.240**	.421**	.494**	.095*	.167**	.241**	.203**	.184**	.298**	.113*	.182**	1

Table 3: **Structural Equation Model Results**

Hypothesis				Estimate	S.E.	C.R.	P	Result
H1-1	Transformational	⯈	Adhocracy culture	1.02	0.171	5.979	***	Accepted
H1-2	Transformational	⯈	Market Culture	0.47	0.102	4.611	***	Accepted
H2-1	Transactional	⯈	Adhocracy culture	0.279	0.197	1.418	0.156	Not-Accepted
H2-2	Transactional	⯈	Market Culture	0.469	0.192	2.442	0.015	Accepted
H3-1	Laissez-faire	⯈	Adhocracy culture	.288	.069	4.157	***	Not-Accepted
H3-2	Laissez-faire	⯈	Market Culture	-0.105	0.09	-1.161	0.246	Accepted
H4-1	Adhocracy culture	⯈	Organizational effectiveness	0.44	0.053	8.353	***	Accepted
H4-2	Market Culture	⯈	Organizational effectiveness	0.18	0.076	2.39	0.017	Accepted

Figure 1: Conceptual Framework
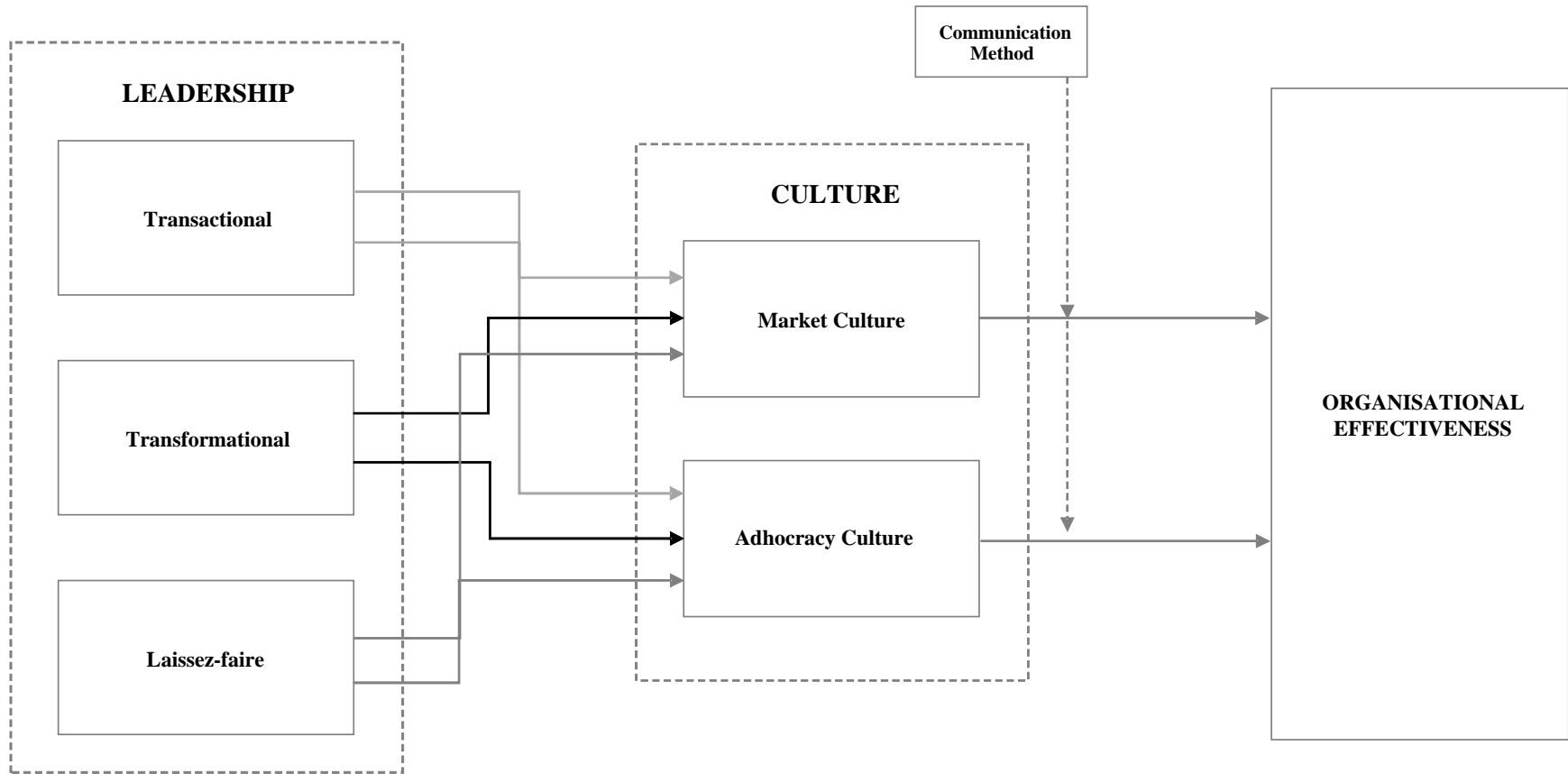
Figure 2: Validated Model

LEADERSHIP

Transactional

Transformational

Laissez-faire

0.469(2.442)

0.279(1.418 *p.* 0.156)

0.47(4.611)

1.02(5.979)

-0.105(-1.161 *p.* 0.246)

.288 (4.157)

Communication Method

CULTURE

Market Culture
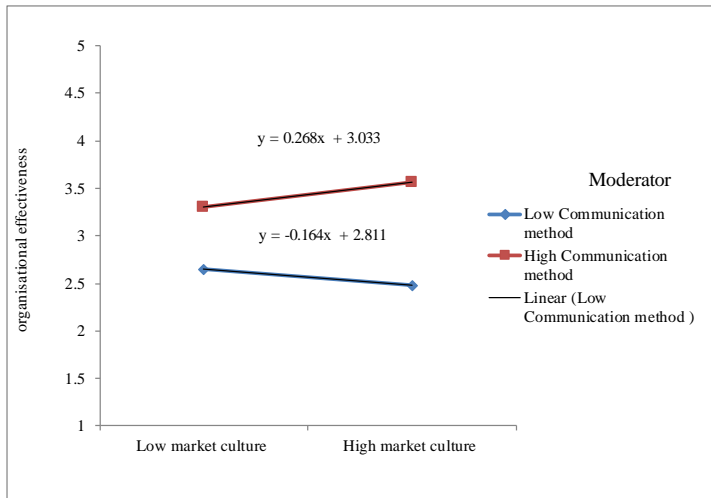
Adhocracy Culture

0.18(2.39)

0.44(8.353)

ORGANISATIONAL EFFECTIVENESS
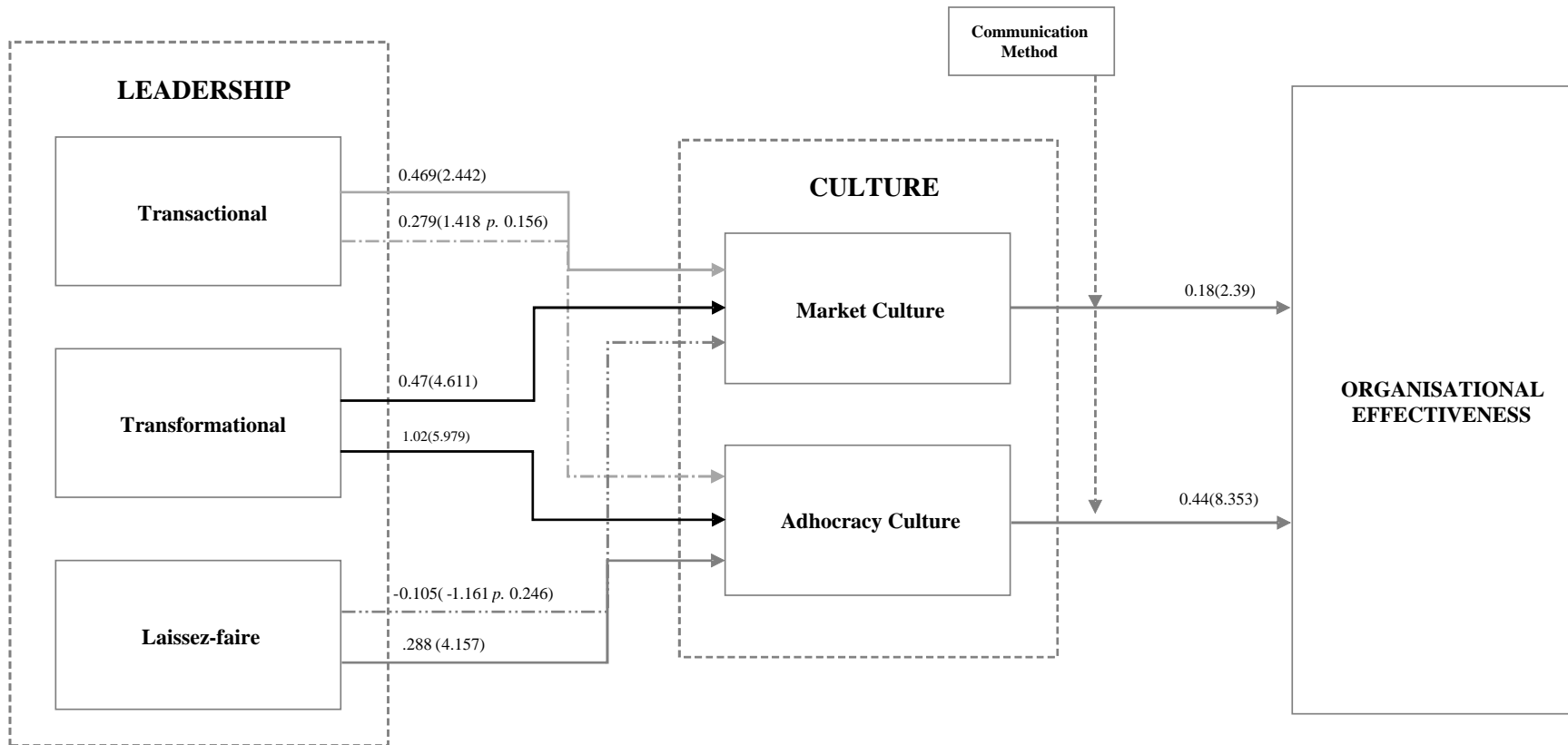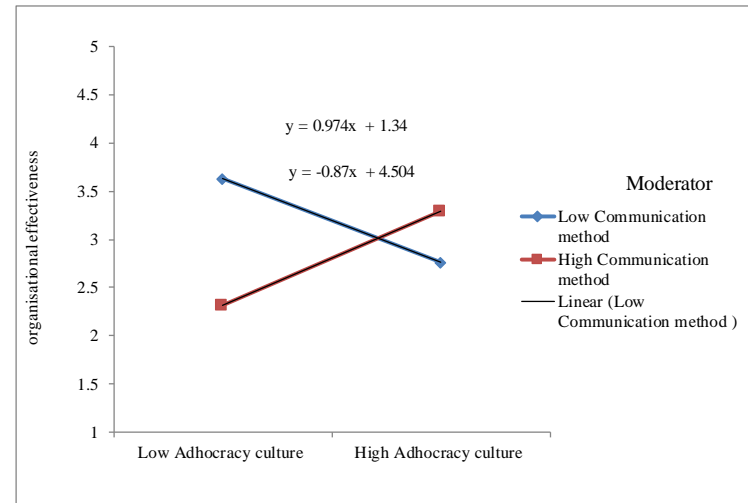
Figure 3: Moderating Effect

Communication method strengthens the positive relationship between market culture and organizational effectiveness

Communication method strengthens the positive relationship between adhocracy culture and organizational effectiveness