

ORIGINAL RESEARCH PAPER

Examining the impact of Yukl's leadership style on company performance: a study in the service sector

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ABSTRACT

BACKGROUND AND OBJECTIVES: Services in China have recently emerged as the leading contributor to economic growth and job creation. It employs low-skilled workers in China's service sectors, such as tourism and retail. In terms of value-added, the service sector is the largest sector of the global economy and is crucial in more advanced economies. Businesses in this sector are concentrating on what is becoming known as the knowledge economy, or the ability to outperform competitors by understanding what target customers want and need and operating to meet those wants and needs quickly and cheaply. Almost all industries within the sector use new technology to boost production, increase speed and efficiency, and reduce the number of employees required to operate. It reduces costs while increasing revenue streams. However, when compared to Western economies, China's service sector lags. The services sector's Gross Domestic Product and employment share are small. Services trade accounts for a small portion of China's economic growth. China's new services are still in their infancy. This research aims to determine how Yukl's leadership style impacts Chinese service organizations' performance. Due to ineffective management in guiding the staff, China is currently experiencing low performance in the firm's finance or marketing, which has resulted in low performance in the operating activities and lower productivity, which has a direct impact on the company's performance in the service industry.

METHODS: The research is carried out quantitatively, using questionnaire surveys to obtain data on the determinants of the company's success. Total of 384 respondents were selected to give responses to the study. The technique is used in this study is probability sampling, with systematic method.

FINDINGS: The findings showed that the hypotheses were influenced significantly and recommend to all industries because it successfully highlighted that the dimensions of Yukl's leadership style such as transactional and transformational leadership will affect firm performance especially in the Chinese service sector about the right of leadership. The dependent and independent variables, as well as the two dimensions r^2 , are all 0.553, indicating that the model has good goodness of fit. This variable is responsible for 55.3 percent of China's service industry. It indicates that the model reasonably well fits the data. As a result, the results show that the model employed in this study is both relevant and acceptable.

CONCLUSION: These findings may provide policymakers with critical information by implementing the Management by Objective policy in China's service sector due to underperformance in the firm's finance or marketing due to ineffective management in guiding the staff, which leads to underperformance in the operating activities and lower productivity, which directly influences the company performance in China's service industry. Company performance is significant because it indicates the company's ability to generate high profits, high product quality, market share, and better financial results over time.

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INTRODUCTION

Company performance (CP) is essential to examine how well the manager contributes to the management process and growth, which helps the firm increase its value, achievement, and core market competitiveness (Al Khajeh, 2018). Furthermore, the impact of business management direction and decisions on performance outcomes improvement should be made, which are all determined by assessing a company's performance (Narkunienė and Ulbinaitė, 2018). As a leading determinant of how well the firm's objectives can meet, company performance indicates the company's value and core market competitiveness (Bayraktar *et al.*, 2017). According to Alrowwad *et al.*, (2017), company performance can view from a variety of angles, including the process point, which refers to the transformation of inputs into outputs to achieve specific outcomes, and the economic point, which is concerned with the effective cost and realized result. Elena-Iuliana and Maria (2017) back this up by defining firm success as the sum of work impacts that produce the best link between customer happiness, economic contribution, and the company's strategic goals. Chinese enterprises performed poorly due to managerial inequity and insufficient human management, which directly influenced on operational productivity and corporate performance (Luo *et al.*, 2020). Previous researchers (Gupta *et al.*, 2020) indicated that poor company management causes long-term damage to employee relations and generates a hostile and uninviting working atmosphere, resulting in poor firm performance. Many business leaders are blind to internal unhappiness and external developments that contribute to the company's collapse (Lo *et al.*, 2016). As a result of inadequate management, many businesses are experiencing unethical practices, poor financial performance, and excessive turnover, making it impossible to fulfil the stated aim (Al Khajeh, 2018). This is further supported by Gonfa (2019), who states that poor management results in a loss of direction and purpose, making it harder to maintain high levels of performance in managerial roles, and lowering productivity. Nonetheless, poor management leads to poor decision-making, which impacts the company's success (Al Khajeh, 2018). Gonfa (2019) emphasizes that management's lack of adaptation to subordinates' perspectives, combined with a rapidly changing business environment,

has resulted in strategic planning, and forecasting decisions that are made erroneously, negatively impacting the company's financial or profit. In this case, management significantly impacts company performance, resulting in low employee productivity and task completion. Performance is a product of people's motivation and satisfaction with their jobs (Berraies and Bchini 2019; Al Khajeh, 2018; Smriti and Das, 2018). As a result, company performance remains an important variable to investigate in the management areas because various factors influence financial and marketing performance within the company, all of which contribute to the company's survival and competitive position (Gonfa, 2019).

LITERATURE REVIEW

As evidenced by several articles (Alrowwad *et al.*, 2017; Al Khajeh, 2018; Samson and Ilesanmi, 2019), company performance in China has been studied from various perspectives. However, there is still no academic research aiming to determine the relationship between the Yukl (1989) leadership style (YLS) such as transformational leadership (TFL) and transactional leadership (TSL). Perhaps, company performance has yet to encompass a wide range of circumstances, and leadership styles differ from those studied, demanding more research to understand better company performance and boost competitiveness. The service sector defines as an economic component that produces services rather than tangible assets to meet a specific demand (Panno, 2020; van der Laan *et al.*, 2020). According to Fan *et al.*, (2020), China's services have recently emerged as the dominant contributor to economic growth and job creation. However, compared with Western economies, China's service industry lags. Gross Domestic Product (GDP) and services trade make up a small fraction of China's overall commerce; employment shares in the sector are also small, and China's new services are underdeveloped (Zhou *et al.*, 2021). The company's performance is critical in figuring out how to improve a primary goal for the organization (Ali, 2020). The current goal of any firm is not just to survive but to thrive due to boosting performance and competing in a competitive market (Widodo *et al.*, 2020). According to (Narkunienė and Ulbinaitė, 2018) the theoretical importance of company performance is a critical part of company management that permits determining the impact of business and board choices on exhibition outcomes. When companies adopt

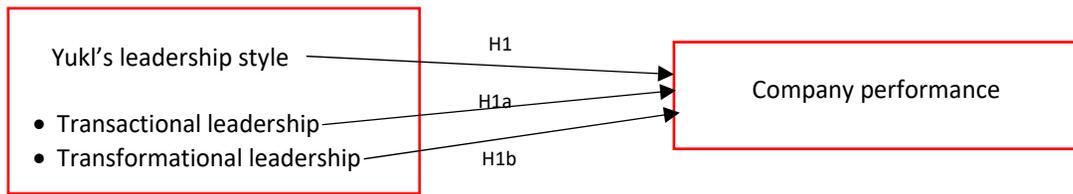
effective strategy and action plans, they can achieve high performance. It demonstrates the company's ability to achieve the goal, which results in profitability and good financial result (Ali and Islam, 2020). Parenthetically, company performance is a broad, dynamic concept that influences various factors in wide situations and life cycles (Khan *et al.*, 2019). As a result, a study of company performance in the Internet era is required; as this can not only contribute to academic research but also help us better understand company performance, resulting in appropriate measures to improve company performance (Kube and Rančák, 2018). In this study, according to Yukl (1989), there are two distinct leadership styles: transformational and transactional leadership, each of which substantially influences on the company's performance. Transformational leadership embodied their followers' moral ideals to raise awareness about ethical issues and mobilize resources to improve institutions. In contrast, transactional leadership included principles such as honesty, responsibility, and reciprocity into exchange procedures (Hoxha, 2019). Delegach *et al.*, (2017) claim that transactional and transformational leadership are two distinct of leadership that motivate individuals to work together to achieve company goals. Numerous academics have examined the topic of leadership style; however, the available knowledge is still somewhat restricted since numerous distinct leadership styles have varying effects on either employees or work satisfaction (Ohunakin *et al.*, 2019). For example, there is little transaction research on the effect of Yukl's (1989) leadership style on profitability or the leader's behaviour on achieving a goal to improve company performance (Saleh *et al.*, 2018). More precisely, Yukl's (1989) leadership style is currently under-researched in terms of its relationship to company success in China, because past research on leadership style and company performance has focused on western cultures. Thus, this current study have been carried out to close the gap by continuing the investigation into the influence of transactional and transformational leadership on company performance in China's service sector in year 2022.

MATERIALS AND METHODS

Survey design and data collection

The sampling design is probability which the respondents are selected by distributing the questionnaires to the companies in service industry

that would not be generalized to the large population. 18 million people are working for services companies in China (Zhang and Hou, 2020). All Cronbach's alpha values are greater than 0.7, including company performance (0.748), Yukl's leadership style (0.754), transactional leadership style (0.729), and transformational leadership style (0.784). A score of more than 0.7 indicates high credibility. For this study, the validity of the questionnaire was determined using face validity, content validity, and expert validity. From this population, the Kierje and Morgan (1970) table size used to determine the sample size. Based on this sample size table, maximum 384 respondents were selected to give response toward the study. The data was distributed online using a Google form. The data collection process took 6 to 8 months. This research focuses on practitioners of Chinese service industry companies as the research object. The study setting is non-contrived because this research is not carried out in an artificial environment like the lab. Researchers carry out the data collection in the natural setting. The study's time range is referred to as a one-shot or cross-sectional study. The study would be conducted in a single shot, with respondents being asked to complete a questionnaire survey just once and data being gathered only once. The study will employ a five-point Likert scale (1 strongly disagree; 5 strongly agree) to assess all latent variables. The planned study's metrics will be adapted from those of earlier studies. The independent variable (Yukl's leadership style, transactional leadership, and transformational leadership) and the dependent variable (company performance) were each broken down into four elements. This study contains a pilot test conducted on 50 respondents, including reliability testing and factor analysis to assess the validity and reliability of the data. Subsequently, descriptive analysis, factor analysis, correlation analysis and regression analysis were done on the data of 384 respondents. All these data are evaluated via the Social Science Statistical Package (SPSS). After the pilot test was completed, this study employed the same distribution technologies and channels as the pilot test to conduct comprehensive data collection. On the number of target populations stated by Krejcie and Morgan (1970), this study requires 384 sample sizes. Therefore, a total of 400 questionnaires were delivered to workers in the Chinese service industry. The following Table displays the respondents'



Figs. 1: Examining the impact of Yukl's leadership style on company performance in the service sector

summary of the response rate to the research questionnaire. Therefore, in this study, 384 accessible questionnaires were evaluated for further analysis.

Analytical framework

According to the studied literature, the component depicted in Figs. 1 below, in which the independent variable is Yukl's (1989) Leadership Style, which has two dimensions referred to as Transformational Leadership and Transactional Leadership. Additionally, there is one dependent variable, which is the company's performance.

Laitinen (2002) defines performance as the ability of an object to generate results in a priori dimension connected to the aim. Therefore, it is essential to begin a project to evaluate its success. Yukl (1989) pointed out that transformational leadership and transactional leadership have two major leadership styles that substantially impact firm performance. Hoxha (2019) also demonstrated that there is a considerable positive association between Yukl's leadership style and company performance. Furthermore, there is a significant correlation between leadership style and management behaviour (Al Khajeh, 2018). Al Khaled and Chung (2020) feel that poor company management can cause long-term damage to employee relationships and contribute to disappointing company performance. Leadership style may usually be defined as a leader or management's capacity to communicate with subordinates or specific tactics to complete their work (Hassan et al., 2019). The phrase "performance theory" refers to the perception of a link between specific performance metrics and organizational performance (Kotane, 2015). Transactional leadership is critical for businesses because it has the potential to boost employee emotional input, hence improving performance and work commitment, and so indirectly affecting company performance (Cho et

al., 2018). In addition, transformational leadership is widely acknowledged as a motivating type of leadership characterized by a distinct organizational vision (Fitzgerald and Schutte, 2010). Both are inextricably linked to performance. As a result, this research integrates the Yukl's (1989) leadership style and its two dimensions with performance theory to provide the theoretical underpinning for the impact of leadership style on firm performance.

RESULTS AND DISCUSSION

Descriptive statistics and analysis for variables entering the analysis

The mean is the arithmetic average of the scores, which is frequently used to quantify central tendency, whereas the standard deviation quantifies dispersion. The 5-point Likert scale is used in this study, and all variables are quantified using the scale's level. The lowest level of disagreement is 'strongly disagree' and the amount of agreement increases incrementally until it reaches 'strongly agree'. Table 1 provides descriptive statistics on the mean and standard deviation of all variables in this study (Company Performance, Leadership Style, Transformational Leadership, and Transactional Leadership). As the table indicates, the mean of the obtained data is consistent across all variables. However, the deviation is for transformational leadership (0.77), indicating that various respondents had varying perspectives on this variable.

Reliability Analysis

Table 2 provides the reliability coefficients test was once again performed to analyze data from 384 respondents. All the Cronbach's alpha values in the table are more than 0.7. A value greater than 0.7 indicates high credibility. Perhaps the credibility of this research is enough for further research. In this study, transformational leadership showed high reliability (0.784) compared to other variables.

Table 1: Result of the descriptive statistics

Constructs	No of items	Item	Mode	Mean	Std. Deviation
Company Performance	5	CP1	3	3.04	0.65
		CP2			
		CP3			
		CP4			
		CP5			
Yukl's Leadership Style	4	YLS1	4	3.05	0.73
		YLS2			
		YLS3			
		YLS4			
Transformational Leadership	4	TFL1	3	2.65	0.77
		TFL2			
		TFL3			
		TFL4			
Transactional Leadership	4	TSL1	3	3.17	0.66
		TSL2			
		TSL3			
		TSL4			

Table 2: Reliability coefficients

Constructs	No of items	Item	Cronbach alpha (α)
Company Performance	5	CP1	0.748
		CP2	
		CP3	
		CP4	
		CP5	
Yukl's Leadership Style	4	YLS1	0.754
		YLS2	
		YLS3	
		YLS4	
Transformational Leadership	4	TFL1	0.784
		TFL2	
		TFL3	
		TFL4	
Transactional Leadership	4	TSL1	0.729
		TSL2	
		TSL3	
		TSL4	

Correlation Analysis

This research explores the relationship between different leadership styles and company performance. Therefore, this part will analyze the correlation between each independent variable and the dependent variable. Company performance is the dependent variable in this study. The independent variables are made of Yukl's leadership style, transactional leadership, and transformational leadership. Pearson correlation analysis determines the degree of correlation between all variables.

According to Landau and Everitt (2004), correlation coefficients range between “- 1” and “+1,” indicating complete negative and positive correlation between variables. Paliant (2020) asserts that the greater the value, the more robust the association between the variables. The results in Table 3 are interpreted the correlation matrix as follows in light of this guideline.

Pearson correlation analysis indicates that all variables have a significance value (2-tail) less than 0.05, indicating that their correlation value is significant. Additionally, all variables have

positive *r* values, indicating associated with the dependent variables. Leadership style, *r* = 0.671, demonstrating a substantial association between the type of transactional leadership and the company performance. Additionally, transactional leadership, *r* = 0.689, demonstrates a reasonably good correlation between Yukl’s leadership style and company performance. However, transformational leadership, *r* = 0.586, indicates that the association between transformational leadership and company performance is weaker than the correlation between other variables.

Multiple Regression Analysis

Tables 4 and Table 5 provide multiple regression summary and multiple regression Anova analysis is used to analyze the relationship between the independent relationship (leadership style, transformational leadership, transactional leadership) and dependent relationship (company performance). Several tests are being run to guarantee that the sample data are fulfilling the requisition by applying the multiple regression analysis. According to Tables 4 and 5, the ANOVA test’s *p*-value is less than 0.05. This indicates that the theoretical framework and all its independent variables have achieved model fit, which can be interpreted as the formation of a

significant relationship between the independent and dependent variables. The present model (Table 4) has an R-Square of 0.54 (*R*² = 0.537). This suggests that the present three independent variables can account for 54% of those employed in the service sector in China. Additionally, the tables summarize the major findings about the structural relationships between the dependent and independent variables. The findings indicate that all three hypotheses (H1, H2, and H3) are significant.

Table 6 illustrates the result of direct relationship between the constructs. In this Table, the researcher has also evoked hypotheses in response to the analysis.

H1: Yukl’s (1989) leadership style significantly influences the company’s performance in the China’s service sector.

For H1, the results of this study suggest that there is a substantial association between leadership style and the performance of Chinese service sector, because the hypothesis has a *p*-value less than 0.05. This result demonstrates that the influence of leadership style on the performance of Chinese service sector is effective (*t* = 4.582; *p*-value = 0.000). This result is like other prior studies done by other researchers, which also revealed a relationship

Table 3: Correlation Matrix

Construct	CP	YLS	TFL	TSL
CP	1.000			
YLS	.671**	1.000		
TFL	.586**	.605**	1.000	
TSL	.689**	.804**	.635**	1.000

** Correlation was significant at the 0.01 (2 - tailed) level N = 384

Table 4: Multiple regression model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.733 ^a	.537	.533	.44485

a. Predictors: (Constant), LAT, LFT, LS

Table 5: Multiple Regression ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	87.201	3	29.067	146.885	.000 ^b
	Residual	75.198	380	.198		
	Total	162.398	384			

a. Dependent Variable: CP

b. Predictors: (Constant), LS, LFT, LAT

Table 6: Discussion on the result and hypotheses

Path	Hypothesis	t-value	Sig	Decision
H ₁ : YLS → OP	Yukl's leadership style significantly influences the company performance of service sector in China.	4.582	0.000	Supported
H ₂ : TFL → OP	Transformational leadership style significantly influences the company performance of service sector in China.	4.461	0.000	Supported
H ₃ : TSL → OP	Transactional leadership style significantly influences the company performance of service sector in China.	5.445	0.000	Supported

between leadership style and the performance of Chinese service. Leadership style has a strong connection with managerial behavior which can integrate the company goal and personal interest to enhance the follower's engagement with a common goal and objective (Al Khajeh, 2019). Yukl (1989) stated there are two important leadership styles in transformational and transactional leadership that brings a significant influence on the company performance. Previous studies have confirmed the positive impact of leadership on different outcomes, including motivating employees (Hansen and Pihl-Thingvad, 2019), expanding company goals Tawas (2019), innovation and challenges (Bourne and Smith-Sherwood, 2018), employee satisfaction (Rahman and Jantan, 2019). Hoxha (2019) confirmed that leadership styles have a significant positive relationship with company performance as measured by sales growth, employment growth, market value growth, profitability, and overall performance perception.

H2: Transformational leadership style as dimensions of Yukl's (1989) leadership style significantly influence the company's performance in the China's service sector.

For H2, the results of this study suggest that there is a significant association between the transformational leadership style dimension and company performance because the p-value of this hypothesis is less than 0.05. The outcome of the t-value is positive (4.461), which suggests that the transformational leadership style dimension has a positive impact on company performance. The result showed that t-value = 4.461; p-value = 0.000 associate positive relationship between transformational

leadership style and company performance of China service sector. Transformational leadership is well acknowledged as a motivational leadership style with a clear organizational vision (Fitzgerald and Schutte, 2010). Transformational leadership theory has acquired extensive support over the years (Chauhan et al., 2019). Previous studies have confirmed the positive impact of transformational leadership on different outcomes, including employee loyalty (Delegach et al., 2017), job satisfaction (Al Khaled and Chung, 2020), organizational commitment (Ali et al., 2020), creativity and innovation (Lee et al., 2020), and employee well-being (Alrowwad et al., 2017; Alrowwad et al., 2020; Pradhan and Hati, 2022). Hansen and Pihl-Thingvad (2019) also stated, leaders can alter their companies' success through personalized consideration by paying attention to individual needs and promoting individual growth and achievement. This may significantly affect their followers' performance which in turn potentially helps to overall firm performance.

H3: Transactional leadership style as dimensions of Yukl's (1989) leadership style significantly influence the company's performance in the China's service sector.

Transactional leadership is a critical indicator of a company's performance. It is concerned with maintaining the status quo to boost the company's revenue (Yukl, 1989). Previous research has established that transactional leadership has a positive effect on a variety of outcomes, including a clear vision (Kanat-Maymon et al., 2020), a clear reward model (Chen et al., 2020), and appropriate guidance (Abdullah et al., 2018), timely error correction (Kalsoom et al., 2018), and employee commitment

(Cho *et al.*, 2018). Transactional leadership has a considerable impact on firm performance in several Asian countries, such as Indonesia (Nungky Viana *et al.*, 2020), China (Xie, 2020) and Malaysia (Ur Rehman *et al.*, 2019). Transactional leadership is critical for the business because it enhances employee emotional involvement, which results in increased performance and job dedication, which has a positive effect on the company's performance indirectly (Cho *et al.*, 2018). Additionally, transactional leadership is associated with firm performance since it assists in achieving the short-term vision and mission (Adam *et al.*, 2020).

CONCLUSION

Company leadership has become more essential than ever in many businesses in the twenty-first century. The traditional leadership style tactics are a little out of date. Many businesses now have unique leadership styles to assist them. However, in China, many companies have poor leadership styles, which has resulted in various challenges and problems. As a result, the authors examine the leadership style of China's service sector, expecting to make reasonable suggestions for enhancing China's service sector leadership style. One of the crucial management tactics for business executives is to improve their leadership style. According to the authors' study, Yukl's leadership style and both dimensions have beneficial consequences. The transformational leadership style is one of these factors. Transformational leadership is widely acknowledged as a motivating type of leadership characterized by a distinct organizational vision. Taking Chinese customs into account, the authors believe that the success of a business may be influenced by focusing on the requirements of employees, supporting personal growth and achievement, and by incorporating individualized concerns. In this case, the Management by Objective policy in China's service sector should implement and motivate employees to meet targets by any means necessary, including shortcuts that result in poor quality. The main advantages of the Management by Objective policy are that it increases employee motivation and commitment while allowing for better communication between management and employees. Management by objectives (MBO) is a policy that employs quantifiable or objective standards to assess a company's and its employee's performance. Managers can identify problem

areas and improve efficiency by comparing actual productivity to standards. Both management and employees are aware of and agree on these standards and objectives. The contribution of this research to the industry is important. It is because of successfully highlighted what kind of leadership style, especially in the context of the China service sector, will affect firm performance, highlighting the right leadership style in the service industry. An essential issue that deserves to be stressed is that the textbooks and teaching materials utilized by local universities and colleges originate from the West, and the Asian context is limited. Due to the disparities between Eastern and Western cultures, Western ideas may not be able to understand the situation in Asian countries properly. This study stresses the impact of leadership styles on business performance and gives suggestions for service sector leaders on how to adopt effective leadership styles when modifying leadership styles to improve business performance. Additionally, when people are encouraged, trained, and developed by competent leaders, the performance of the business can be considerably improved. As earlier indicated, company performance is critical to the development and success of a business. Loyal employees, influenced by a strong leadership style, tend to pay a higher price for the organization. Perhaps one of the critical organizational tactics for success will be the utilization of appropriate leadership styles for leaders. Although the study fulfils the body of knowledge, the researchers still discovered the limitations of the study during the analysis of the results. To make the study cautious, the following will list several limitations that should explore in the future study. The leadership level is the subject of this study so team leaders and middle managers were chosen, not ordinary employees, the survey results may be one-sided. In future research, researchers can try to investigate senior leaders, managers, and top management levels of ordinary leaders to enrich the diversity of survey results.

AUTHOR CONTRIBUTIONS

H. Xiao performed the literature review, experimental design, analyzed and interpreted the data, H.L. Vasudevan prepared the manuscript text, and manuscript edition. H. Xiao and H.L. Vasudevan performed the experiments and literature review, compiled the data and manuscript preparation. H.

Xiao performed in the data analysis and findings while H.L. Vasudevan compiled the data analysis and findings for the manuscript edition.

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CONFLICT OF INTEREST

The authors declare that no potential conflicts of interest in publishing this work. Furthermore, the authors have witnessed ethical issues such as plagiarism, informed consent, misconduct, data fabrication, double publication or submission, and redundancy.

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ABBREVIATIONS

\bar{Y}	Average of observed data
R^2_{adj}	Adjusted coefficient of determination

\bar{Y}	Average of observed data
R^2	Coefficient of determination
CP	Company Performance
α	Level of significance
MAD	Mean Absolute Deviation
MLR	Multiple Linear Regression
<i>p-value</i>	Probability value
<i>r</i>	Pearson correlation coefficient
<i>r-value</i>	Pearson correlation coefficient
<i>n</i>	Sample size
SSE	Sum of Squared Errors
RMSE	Root Mean Square Error
TSL	Transactional Leadership
TFL	Transformational Leadership
YLS	Yukl's Leadership Style

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