

Leadership in state-owned enterprises of the Maldives

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ABSTRACT Leadership is often attributed to the successes and failures of different types of organisations existing in various contexts. The aim of this quantitative correlation study is to analyse the prevalent leadership styles in state-owned enterprises (SOE) of the Maldives and its relationship with the financial performance. Additionally, it looked at the possible contextual factors which could influence leadership styles of the SOEs. The study includes 10 SOEs from the Maldives and analyses their leadership style using the data collected from the managers of the SOEs using a Multifactor Leadership Questionnaire (MLQ) questionnaire. The contextual influence was analysed using Likert scale questions structured based on the Maldivian context and the existing literature. Financial performance was analysed by comparing return on capital employed (ROCE) of the SOEs, which was collected through the annual reports published by the enterprises. The findings of the study showed that transformational leadership style was common in the SOEs of the Maldives. It also highlighted a significant negative correlation with the contextual factors and transformational leadership style. Contrary to most existing literature, the study did not find any significant correlations with leadership style and financial performance. The findings of the study could be of help to the government in appointing leaders and in setting up regulations for the SOEs. The results of the study also suggest the need for further research to more confidently comment about the importance of leadership style in the SOE domain.

Keywords: leadership style, state owned enterprises, transformational, transactional, laissez faire, contextual influence

The success of most of the world-renowned companies are often attributed to its leaders and their leadership style. There are studies and research in abundance regarding which type of leadership styles are most successful within the different contexts of various parts of the world. As these studies are based in a variety of contexts and show contradicting findings, each favouring a different leadership style, it is difficult to translate the findings to the context of the Maldives. Furthermore, optimal leadership is often subjective to the environment in which an organisation exists due to varying factors like culture, size of economy and level of development.

In the case of the Maldives, it is a developing country, with a small economy, with its population distributed amongst small islands. There have been some studies done on the topic of leadership styles in the context of the Maldives. One such study is by Sadiq (2011), in which she looked into the practice of transformational leadership in the Maldives and how the local culture affected it. In her study it was

noted that Maldives is a collectivist society, with low power distance, moderate levels of masculinity and long term oriented, all of which literature suggests will make transformational leadership successful (Sadiq, 2011). With that said, there are still many unexplored gaps in the literature. More research is still needed to explore which types of leadership styles are most common and which are most suited for the different industries in the Maldivian business environment.

The total allocated budget for the Maldives for the year 2019 was 29.6 billion MVR (Ministry of Finance, 2018). This was raised to 30.2 billion MVR after evaluations from the parliament committee (Maldives Independent, 2018). A significant portion of the non-tax revenue for the government comes from income generated by the state-owned enterprises (SOE) of the Maldives. For the year 2019, SOEs brought in a total net profit amounting to MVR 4.4 billion (Ministry of Finance, 2021). This could potentially have contributed to 15% of the annual budget for that year. Since the SOEs are a significant source of income for the government, finding ways to potentially increase their performance would be greatly beneficial for the government, and for the country as well.

The aim of the study is to discover the existing leadership styles amongst the state-owned enterprises (SOEs) of the Maldives and identify its relationship with their financial performance. It also explores possible contextual factors and analyses the relationship between these factors and the leadership styles. Knowing whether leadership styles have an impact on organisational success and which types of leadership styles are more effective can help to provide a basis for the government to justify how to structure and set better guidelines for the SOEs. Furthermore, it can provide groundwork for future research which will further enhance the knowledge and light a path to explore new ways to improve the performance of the Maldivian SOEs.

Policy Interventions

Leadership is a subject which has been evolving over the ages. It has undergone many changes and improvements and will continue to see other innovations as time progresses. Leadership can be defined as the relationship between the leader and follower which influences an intended outcome and helps achieve a shared goal (Daft, 2013). Leadership styles are distinct and consistent patterns of behaviour displayed by those in leadership roles (Eagly & Johannesen-Schmidt, 2001).

The great man theory of leadership is often identified as the oldest theory of leadership. It is based on the contention that “leaders are born, not made” and was the widely-held belief prior to the twentieth century (Organ, 1996). Following the Great Man theory emerged the trait theory of leadership. It looked at distinctive intellectual and social traits of both successful and unsuccessful leaders. The Great Man Theory’s belief that leaders have special characteristics lead researchers to look into specific traits of leaders to identify the traits which can determine who are more fit to be leaders (Harrison, 2017).

Traits theory was quickly followed by behavioural theories. The behavioural theories, rather than just focusing on the many potential traits which were oftentimes inconsistent and subjective, started to look at behaviours of leaders (Harrison, 2017). Some of the studies on behavioural theory include the Iowa State University study by Lewin, Lippitt and White (1939) which identified

autocratic and democratic behaviours. Another study by the Ohio State looked at the behaviours of people in leadership positions and identified many behaviours which were grouped and classified as initiating structure and consideration (Daft, 2013). Initiating structure was mostly task oriented behaviours while consideration behaviours were relationship oriented. Other researchers categorised their findings into employee centred behaviours and job centred behaviours (Daft, 2013).

Following the focus on behaviours, the perspectives of leadership were on contingency theory. This theory is built on the idea that there is no one perfect style of leadership, and that successful leaders will adapt to the given situation and contingencies (Seters & Field, 1990). Contingency theory covers other specific situational theories such as Hersey and Blanchard theory (1977) which suggests that successful leadership style is contingent on the readiness of the followers. Fiedler's theory (1998) expanded on this idea of leadership being contingent, suggesting that leadership style should depend on the favorability of the situation (Sahoo & Dash, 2017).

One of the oldest studies to look at leadership styles and its effectiveness is the study conducted by Lewin and his associates (1939), which looked at the behaviours and effects of democratic and autocratic leadership (Molero, Cuadrado, Navas, & Morales, 2007). Following the studies of Lewin, Lippit, and White (1939), studies carried out by Ohio State University and the Michigan University became the new predominant. They identified many common behaviours using the "Leader Behaviour Description Questionnaire (LBDQ)" and the "Survey of Organisations" to broadly categorise them as consideration/employee centred and initiating structure/job centred (Schriesheim & Bird, 1979). These studies took a universalistic approach and only focused on the most common behaviours displayed by managers and lacked in the context in which the behaviour was displayed in (Seters & Field, 1990). Theories such as the Hersey and Blanchard's situational theory and the Fiedler's contingency model took a contingency approach and factored in the situational factors. It can be argued that factors such as employee readiness and favorability of the situation can determine which type of leadership will be effective (Sashkin, 1987).

Through a combination of the aforementioned employee centred and job centred behaviours, Blanchard (2000) highlighted four leadership styles: directing, coaching, supporting, and entrusting (Daft, 2013). Directing and coaching is more autocratic and commanding in nature where the leader dictates what needs to be done. The next two leadership styles move away from autocratic to a more democratic leadership style, with supporting, where leader assists their followers and finally, entrusting, where even the power to make the final decision is delegated to the follower (Papworth, Milne, & Boak, 2009). Hersey and Blanchard (1969, 1977) suggested that the characteristics of the followers was the most important factor in determining which type of leadership will be most effective. Their theory argues that the more skilled, confident and willing to work the followers are, the more effective democratic leadership styles will be and vice versa (Cairns, Hollenback, Preziosi, & Snow, 1998).

Fiedler model took a step further and factored in both the follower and the situation. His study suggested that employee centred or relationship oriented leadership will be most effective only in a moderately favourable situation. While in both extremes (highly favourable or unfavourable situations) a job centred

or task oriented leadership was more effective (Fiedler, 1978). The Vroom–Jago contingency model also reinforces the suggestions of Fiedler. This model suggests that leadership style should change with the individual decisions in order to be most effective. The model argues that successful leadership styles are not fixed and should vary among a spectrum ranging between the previously highlighted democratic and employee centred leadership style and the autocratic more job centred style of leadership (Vroom & Jago, 2007).

While most of the early literature looked at democratic vs autocratic and relationship orientation versus task orientation, a new paradigm termed transformational leadership was coined by Burns in 1978. It was then further developed by Bass and his associates where they categorised leadership into two types; transformational leadership and transactional leadership (Molero, Cuadrado, Navas, & Morales, 2007). According to Bass (1999), his theory is conceptually different and is independent from the previously mentioned styles of leadership. He argues that transformational leadership can be both autocratic or democratic and relation oriented or task oriented, depending on the leader's personal characteristics and the given situation (Molero, Cuadrado, Navas, & Morales, 2007). Moreover, unlike the previously mentioned styles of leadership, transformational leadership is holistic in nature and transformational leaders will exhibit transactional behaviours as well (Bass, Avolio, & Goodheim, 1987). With transformational leadership, leaders get the desired outcome by inspiring the followers to go beyond and achieve more than what is expected. It is proactive in nature and relies mostly on appealing to higher ideals, morals and to the interest of the group as a whole. On the contrary, with transactional leadership, leaders would achieve their targets by exchanging a reward with the desired outcome (Odumeru & Ogbonna, 2013).

Bass argues traditionally, leadership was only studied through the lens of transactional leadership and those studies lacked any aspect of a “higher-level leadership” where leaders achieve extraordinary results from followers and bring about important changes in both the followers and the organisation itself (Molero, Cuadrado, Navas, & Morales, 2007). Weber (1947) is most credited for coining this type of leadership which invokes visionary, innovative and symbolic behaviour as charismatic leadership (Day & Antonakis, 2012). According to (Bass 1985), charismatic leadership was not studied in the traditional literature as it was seen as an “exceptional phenomenon” limited to few extraordinary people and could not be identified or measured by a questionnaire. He argued on the contrary and suggested that it was not a rare phenomenon and that it was seen in various types of groups and organisations (Bass & Riggio, 2006). With this belief Bass and Avolio (1997) developed the instrument “Multifactor Leadership Questionnaire (MLQ)” designed to measure transformational leadership, transactional leadership, and Laissez-faire leadership (Avolio, Bass, & Jung, 1999). Laissez-faire is a style of leadership where almost all authority and power of the decision-making process is delegated to the employees. The employees determine their own goals, make their own decisions and solve their problems on their own, with little to no direction from their managers or leaders (Robbins & Coulter, 2010). This type of leadership was considered as a “Non-leadership” as the leader does not make any decisions when exercising his leadership (Bass & Riggio, Transformational Leadership 2nd Ed, 2006).

It should be noted that the MLQ survey has been the target of many criticisms due to reasons such as high correlations among the aforementioned factors. Many alternatives have been made, in which some combined aforementioned factors and others which further broke down the factors into smaller even more specific components (Molero, Cuadrado, Navas, & Morales, 2007). Some of these variations include the two correlation factor (active and passive) by (Bycio, Hackett, & Allen, 1995), the three correlation factors (transformational, transactional, and laissez-faire) by (Hartog, Muijen, & Koopman, 1997) and the five correlation factors (transformational leadership, contingent reward, direction by exception (active), direction by exception (passive) and laissez-faire leadership) by (Howell & Avolio, 1993). The rest are quite similar to the original MLQ survey by Bass (1985) with very minor differences (Avolio, Bass, & Jung, 1999). Regardless of the many alterations, the aforementioned components of the MLQ survey is now the standard instrument used to measure and assess a range of transactional, transformational and the non-leadership scale (Rowold, 2005).

An overwhelming number of studies suggest that transformational type of leadership is more successful in organisations (Robbins & Coulter, 2010). Some of these studies include a study done in India which concluded that there is a positive relationship with transformational leadership and organisation success and innovation (Raj & Srivastava, 2016). Another study in the US found transformational leadership played a key role in achieving higher performance, innovation and overall organisation success regardless of the organisational structure of the company (Ifedi, 2020). Similarly, a study by Prabhakar (2005), who carried out an empirical analysis of leadership over 150 projects from across 28 countries concluded that “idealised influence” which is a key feature of transformational leadership, has a significant impact on the project success (Prabhakar, 2005).

There are various factors which vary with situation, place, time and the context, which influence the style of leadership. These contextual factors can be unique to individuals, businesses, sectors, cultures etc. A study in Ireland looked into the contextual factors which influenced leadership specifically for the public sector with a qualitative survey of a sample of over 1200 senior leaders (McCarthy, 2014). The findings are grouped into the following themes: conceptualisation & scope of leadership; constraints on autonomous action; political-administration dynamics; and broaden awareness, knowledge, and experience.

Conceptualizations & scope of Leadership: McCarthy’s (2014) study suggests that most of the leaders in the public sector do not have a defined understanding of what a leader should be. Most of the leaders had difficulties differentiating themselves between managers and leaders and often could not encompass the full scope of the leadership. A lot of the decision making and direction of the overall organisation were directed by external forces such as politics, and hence, the leader has a very limited scope of freedom to exercise in decision making. Some even argue that there were no leaders in such organisations, as they see it more appropriate to describe the decision makers as managers, who make decisions within a more limited scope than a leader would.

Constraints on autonomous action: Some such constraints highlighted by McCarthy (2014) include, budget constraints, limited human resources and restrictions in making necessary changes in the existing employee base. It was observed that there is a sense that leaders are limited in their ability to lead due

to such constraints imposed by the public sector system and lack opportunity and ability to manage more autonomously.

Political administration dynamics: As further reported by McCarthy (2014), participants noted the significance of the influence of the political agenda on the decisions made by leaders.

Broaden awareness, knowledge and experience: The need to broaden awareness, knowledge and experience was the fourth theme of the McCarthy's (2014) study. Many leaders highlighted that although they had experience in the industry, managing the public sector required further specialisation.

Nurture grade relations: According to McCarthy (2014), many participants pointed to the existence of barriers between the grades or levels of employees in the public sector. It was noted that the public sector lacked inclusivity of lower grade staff which is reflected in weakened ability to inspire and motivate the employees in the public companies.

Need for 'joined up' development: The final theme highlighted in the study (McCarthy, 2014) suggests the need for more cooperation between the various departments, agencies and offices of the government. The participants highlighted the lack of synergy between these entities of the government being a major factor influencing the ability to effectively lead public companies (McCarthy, 2014).

Other studies such as that of Baldwin (1978), which looked at the difference of leaders between private and public companies identified factors which affected the performance of leaders in the public sector. He found that public sector leaders often had various diverse interests which deviated them from specific goals. Furthermore, he found that unlike in the private sector where leaders are tasked with achieving few and specific goals such as profitability, the public sector leaders have to make politically efficacious decisions. These decisions can be ambiguous, contradictory and even conflicting. Another key factor highlighted was the limited terms the public leaders serve, which is often set by laws. Baldwin (1987) suggests that this reduces the personal involvement and immersion of a leader to the organisation and limits his ability to inspire and motivate the followers.

A study by Lee (2017), which looked into the public sector of Ontario, Canada to analyse the possible relations between style of leadership and ease of transitioning from private to public sector, found that there was a significant positive relation between transactional leaders and their ease of transitioning to the public sector. The study suggested that factors contributing to the transactional leadership such as contingent reward and direction by expectation were more applicable in the context of the public sector. The study argued that as the public sector often provides goods and services controlled by the government and works with the objective to serve the surrounding community rather than for profit, and for such reasons, governments mostly provide mandates which leaders had to implement. She argues that transactional leaders are more suited for this (Lee, 2017). Similar suggestions were made by Valero (2015), who looked at the effect of leadership styles in the public sector of Asian countries.

On the other hand, there are also studies which suggest the contrary. Studies such as that of Mohamad, Daud and Yahya (2014), looked into the relation of performance and transformational leadership in the public sector of Malaysia and found strong positive correlations. Their study suggested that transformational leaders are more capable in influencing good governance and tackle issues such

as corruption within the public sector (Mohamad, Daud, & Yahya, 2014). Another study which backs this claim is by Ritz, Shantz, Alfes and Arshoff (2012), which looked at the public sector of the UK and found strong positive correlations between transformational leadership and positive change.

While there are many studies looking at the chief executive officer (CEO) and other senior leaders of private companies, only a small number of studies have been done focused on leaders in the public sector. Studies which focus on the public sector of small developing island nations, specifically to the SOEs is even rarer. Hence, this is an area that needs to be researched to identify the types of leadership applicable to specific businesses in the public sector of Maldives.

The current study conceptualises that the leadership attributes that determine a particular leadership style is influenced by demographic variables of the leaders and contextual factors, and that the dominant leadership style influences the financial performance. Figure 1 illustrates the conceptual framework which will be followed in the study.

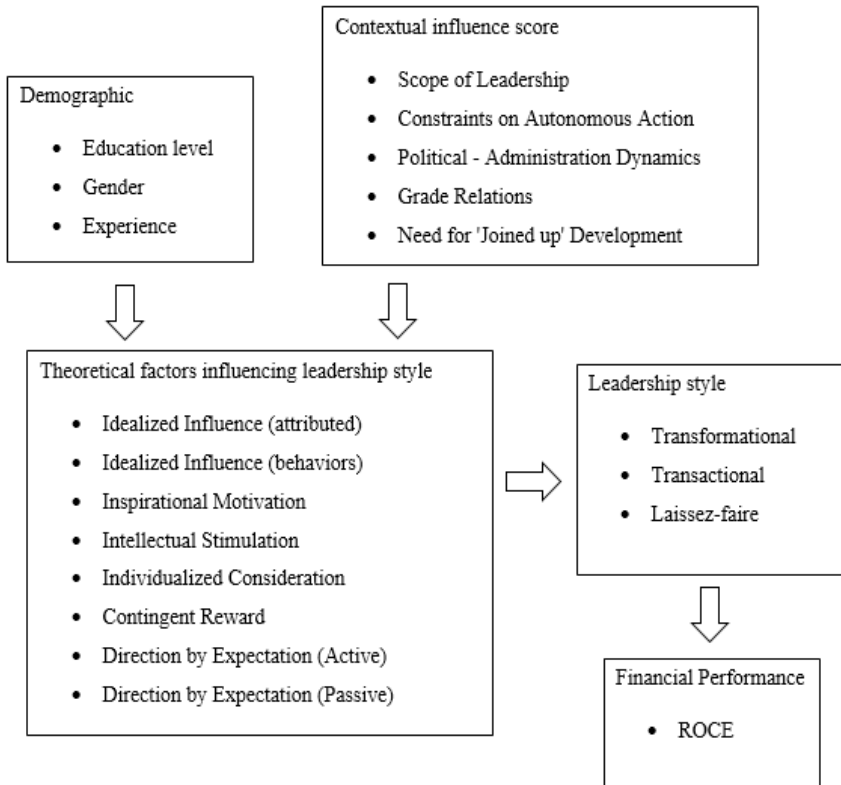


Figure 1. Conceptual framework

Methods

In line with the aforementioned paradigms, data collection was done in two fronts. One is primary data, collected by a quantitative questionnaire which identifies the leadership style of the leadership of the SOEs. This questionnaire is developed

based on the literature reviewed and provides scores which can determine the leadership style and the level of the contextual influence on the participant. The second front is secondary data, collected from published annual reports about the financial records of the respondent respective organisations. The data collected was analysed using descriptive and inferential statistics

Sampling

The study focused on a sample taken from the population which included all the SOEs of whom had published their financial reviews with their annual report. This is 12 out of the 32 listed SOEs of the Maldives.. From this, the target sample size is 5 participants from each SOE. Questionnaires were sent to the publicly available emails of these SOE and follow up calls done with the company hotlines. Due to limitations such as time constraints, bureaucratic restrictions, internal regulations and lack of interest and willingness from managers, the study targeted all managerial staff across each organisation.

Instruments

The primary data was collected by a quantitative questionnaire, consisting of a basic demographic enquiry and two major parts. The first part aims to identify the leadership style of the SOE, while the second part focuses on understanding the contextual factors which may affect the leadership style in the organisation. The first part of the survey attempts to identify the leadership style, using MLQ developed by Bass and his associates (Dionne, Yammarino, Atwater, & Spangler, 2004). The MLQ specifies five primary components which make a leadership transformational and three components which make a leadership transactional.

These are as follows:

- 1-Idealised influence (attributed) or attributed charisma, which looks at how much the leaders are trusted and respected by their followers;
- 2-Idealised influence (behaviours), which looks at the behaviour of the leader in comparison to the organisational goals, values and culture;
- 3-Inspirational motivation, which looks at how well leaders can convey their vision to the followers;
- 4-Intellectual stimulation, which looks at the extent to which leaders can promote the followers to think independently;
- 5-Individualised consideration, which looks at the emotional support and individual recognition of followers by their leader;
- 6-Contingent reward, which looks at the ability of leader to identify the work done by follower and give them the appropriate reward for it;
- 7-Direction by expectation (active), which looks at the ability of leader to foresee potential mistakes and proactively aim to solve them; and
- 8-Direction by expectation (passive), which looks at leadership behaviour where leaders only act when mistakes occur.(Molero, Cuadrado, Navas, & Morales, 2007)

The MLQ questionnaire has a total of 21 questions, each with response options 0-4, with 0 - Not at All, 1 - Once in a while, 2 - Sometimes, 3 - Fairly often, 4 - Frequently, if not always.

The second part of the survey attempts to understand the effect of contextual factors on the leadership style of the organisation. This part of the survey consists of 10 questions, each on a Likert scale similar to that of part 1. These questions are designed to account for the major factors which may affect Maldivian SOEs. It is based on the reviewed literature, mainly on the contextual themes highlighted by McCarthy (2014).

For this research, Return on Capital Employed (ROCE) is selected as the financial performance indicator. Financial performance of companies has been commonly used in the literature to analyse performance of leaders and with the limitations surrounding this study, it was the most optimal metric to consider as a performance indicator. ROCE is a measure of business profitability and its capital efficiency. It shows the amount of profit a company generates per unit of capital employed (Hayes, 2021). The profit a company generates depends on several factors, including the effectiveness of business decisions and the productivity of employees among other things. In addition, the amount of capital invested into a business can also play an important role in its efficiency and its ability to generate revenue. Since ROCE essentially compares the profit generated in relation to the investment, it can help to level the playing field between smaller companies with small profits and larger companies with larger profits. This can also help to minimise the ratio's variation across businesses operating in different industries, as the differences in size is accounted for. Due to these reasons, ROCE is a reasonable indicator of overall financial performance when comparing different businesses. A higher ROCE indicates a higher profit and more efficient use of the capital that has been invested into the business (Hayes, 2021). The ROCEs data are collected from secondary sources, specifically the annual financial reports of the organisation. These reports are accessed directly from the organisations' website, as well as from the official website of the Auditor General's Office, Maldives.

Findings

The study was only able to cover 83.33% of the targeted sample of the study with responses from 10 of the 12 eligible SOEs. From the 60 questionnaires sent out, a total of 32 responses were received which is a response rate of 53%. Out of the total 32 respondents, 18 were male (56% of the sample) and 14 were female (44% of the sample). The majority of the respondents have a undergraduate degree qualification or higher with only 23% of the sample having an education level of a diploma or lower. Of the 13 of the 32 participants (42% of the sample) had 6 to 12 years work experience; 3 participants with 12 to 15 years of experience; and 10 with 15 plus years of experience (also 42% of the sample). Only 5 respondents had an experience less than 6 years (16% of the sample).

Table 1 shows the contextual influence scores of each SOE. The scores range from 0 to 8 and the higher the score the greater the contextual influence and vice versa. The average contextual influence score for the SOEs is 3.62 ($\sigma = 0.81$). The highest contextual influence score is 4.75 by MPL and the lowest is 1.90 by MWSC

Table 1
Contextual influence scores of SOEs

SOE	Contextual Influence Score
Dhiraagu	3.30
GIA	4.00
HDC	4.13
MACL	4.00
MPL	4.75
MTCC	3.40
STELCO	3.95
STO	3.15
MWSC	1.90

Table 2 summarises all the leadership scores respective to the SOEs. Leadership scores is out of 12, with 12 being the highest achievable score. For transformational leadership, the leadership scores ranged between the minimum score of 7.75 by MACL and the highest was 10.25 by MWSC. The average score amongst the population for transformational leadership was 8.74 ($\sigma = 0.70$). For transactional leadership, similar to transformational leadership score, the highest leadership score was by MWSC with 10.50 and the minimum score was by MACL with 7.00. The average score was 9.02 ($\sigma = 1.08$) which is slightly higher than that of the transformational leadership score. With regard to the laissez-faire score, the leadership scores ranged between the minimum score of 4.00 by GIA and the maximum score of 7.50 by Dhiraagu. The average laissez-faire score was 5.70 ($\sigma = 1.40$).

Table 2
Leadership scores of SOEs

SOE	Transformational Score	Transactional Score	Laissez-faire Score
Dhiraagu	8.25	8.50	7.50
GIA	8.25	10.00	4.00
HDC	8.63	8.50	6.90
MACL	7.75	7.00	5.00
MIB	8.75	9.50	6.00
MPL	8.50	8.58	5.00
MTCC	8.75	9.00	4.33
STELCO	8.77	8.29	7.14
STO	9.50	10.38	7.17
MWSC	10.25	10.50	4.00

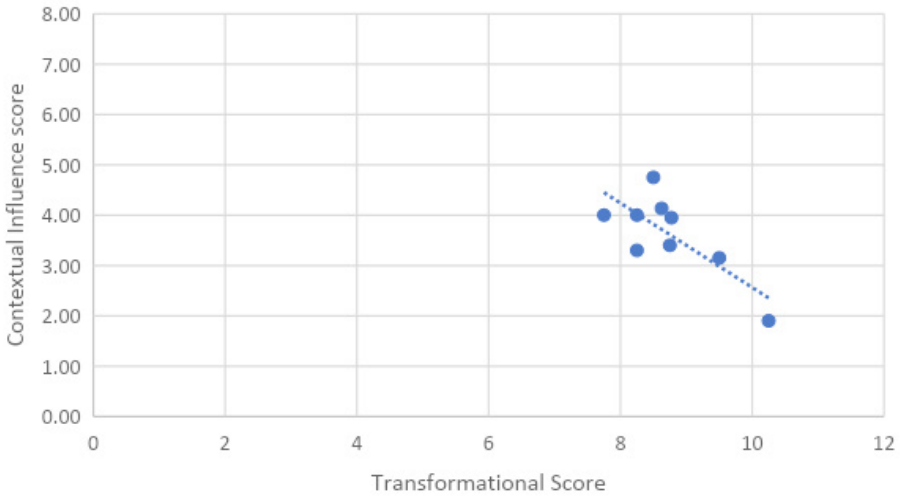


Figure2. Scatter plot of the relationship between contextual score and transformational score

As seen in Figure 2, a significant strong negative relationship between contextual influence score and transformational leadership score was observed in this study ($p > .05$).

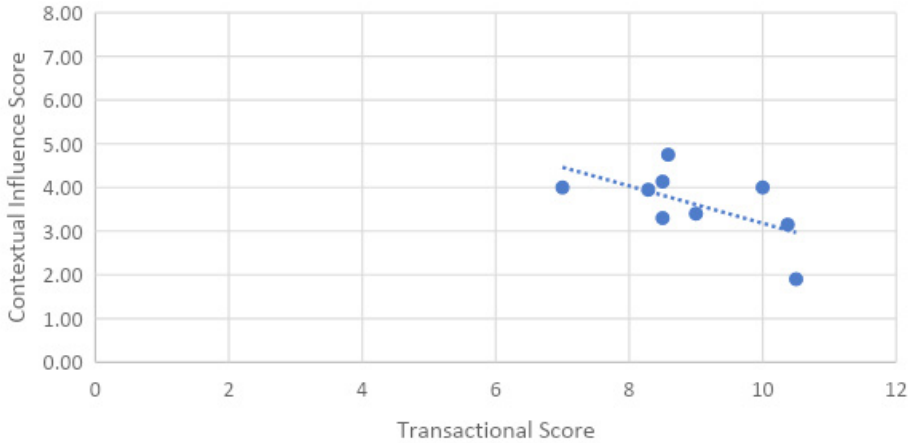


Figure3. Scatter plot of the relationship between contextual score and transactional score

As seen in figure 3, the study showed a non-significant negative correlation with contextual influence and transactional score.

Finally, with regard to the relationship between leadership style and financial performance, the figure 4, 5 and 6 summarises the findings. Figure 4 plots the transformational score and the ROCE for each SOE. The best fit line generated does show an insignificant positive correlation ($r = 0.15, p > 0.05$) between the transformational score and ROCE. With R^2 being less than 0.3, it indicates that

not much of the ROCE can be explained by the transformational score and a very weak fit.

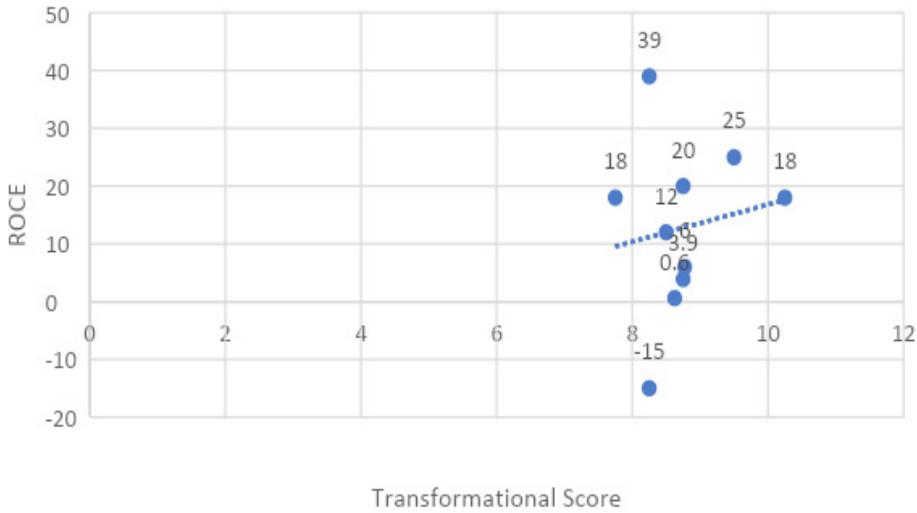


Figure4. Scatter plot of the relationship between transformational score and ROCE

Figure 5 shows the correlation between the transactional score and the ROCE. The graph shows an insignificant negative correlation ($r = -0.08, p > 0.05$) between transactional scores and financial performance (ROCE). Furthermore, the R2 value is smaller than 0.3, meaning that the transactional score explains very little of the variation observed in the ROCE and indicates a very weak fit.

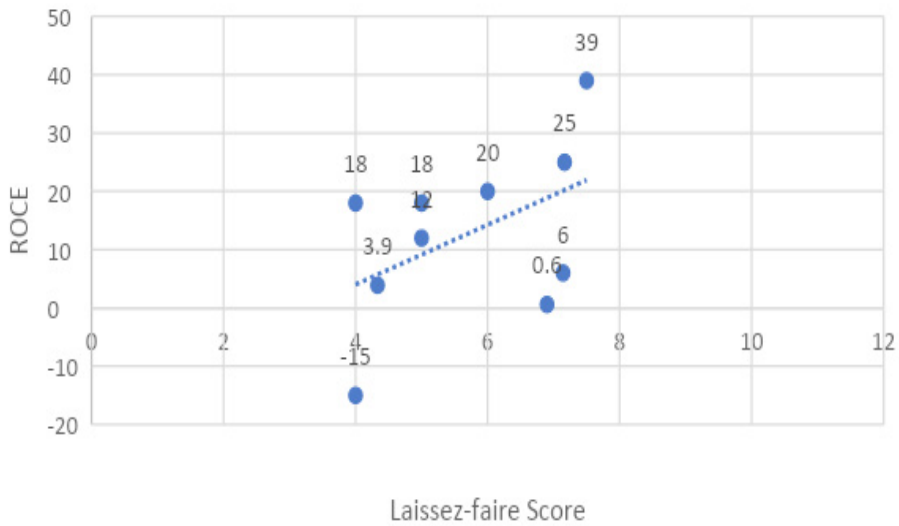


Figure5. Scatter plot of the relationship between Transactional score and ROCE

Similar to figures 4 and 5, figure 6 plots laissez faire score and the ROCE.

Laissez faire score showed a positive correlation with ROCE which is not significant ($r = 0.48$, $p > 0.05$) and had an R2 score less than 0.3. While this is the highest R2 among all the trends observed between financial performance and leadership styles, it still indicates a poor fit.

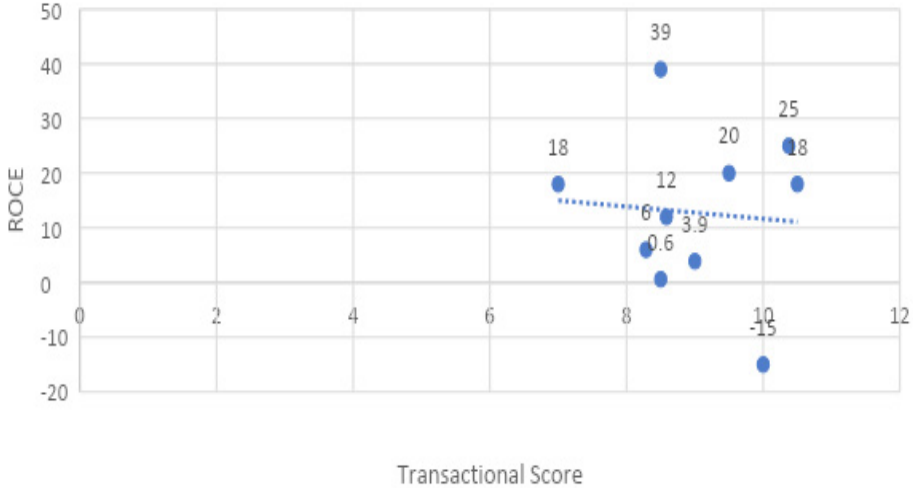


Figure 6: Scatter plot of the relationship between Laissez-faire score and ROCE

Discussion

The findings from the study showed an average transformational leadership of 8.74 ($\sigma = 0.70$) amongst the SOEs of the Maldives, that puts the score on the high end, achieving above 70%. This finding strongly endorses the theory of Bass (1985), suggesting that such leadership styles were not a rare occurrence and can be seen in various types of groups and organisations. Furthermore, the study showed a strong relationship between transformational leadership and transactional leadership ($r = 0.76$, $p < 0.05$) and low average score of 5.70 ($\sigma = 1.40$) for laissez-faire leadership. These findings also align with the literature, which suggests that transformational leadership is holistic in nature, where transformational leaders will exhibit transactional behaviours and that laissez-faire leadership would be dominant in the absence of the other two leadership styles (Bass, Avolio, & Goodheim, 1987). These findings are not unique and many other studies that observed highly applied leadership styles are transformational and transactional, with laissez-faire being the least applied (Hidayat, Rafiki, & Aldoseri, 2017; Badarai, 2020).

Possible reasons for the high transformation leadership score can be linked with the demographic factors such as level of education and the years of experience of leaders. The study found that over 75% of participants of the study had a qualification of degree level and or higher. Education can play a significant role in leadership behaviour as almost all degree and higher level courses include leadership and management modules which dive into leadership styles, how to apply them and their impact on the various aspects of the organisation (Wynn, Irby, & Lindner,

2013). Educated leaders are often already exposed to ideas of transformational leadership and strive towards achieving it. Paired with the education, over 80% of the respondents had over 6-year experience in the field which can suggest that the leaders have had the time to establish and strengthen the factors which contribute to a transformational leadership. High scoring on factors such as idealised influence, inspirational motivation and intellectual stimulation is likely to require a great deal of experience and intelligence. The study also showed the leadership was fairly evenly distributed amongst both genders with 56% males and 44% female. An inclusive work environment can be likely to favour factors such as inspirational motivation and individual consideration. Barbuto, Fritz, Matkin and Marx (2007), noted that female leaders can have more transformational effects on the female followers in inspiring them to strive and achieve higher goals. On the other hand, the reasons for such high transformational leadership scores could also be attributed to the results being skewed toward the self-perception of the leaders, who view themselves to have more transformational characteristics than they actually do. The findings of this study are limited only to self-reviews of the leader and did not factor in the follower's perception. It is common to find discrepancies between leaders' own perception of their leadership style and how the followers perceive it. Research on leadership stress on the importance of considering follower perspective (Schyns, 2006). Instruments such as the MLQ 360 Suite which assist in analysing leadership styles using ratings from both leaders and followers can address this possibility of perception biases and needs to be further explored.

The findings of this study are consistent with the proposition that transformational leaders are leaders who challenge the status quo and encourage their subordinates to explore and learn new ways to do things (Daft, 2013). The factors which contribute to the contextual influence scores used in this study are factors that go against what a transformational leadership would be. Since all the individual components that make up the transformational leadership style are at odds with one or more of the contextual factors which were assessed in the survey, a higher contextual score would mean a lower transformational leadership score. The negative correlation supports this proposition. The measurement used for the contextual influence score and the response rates could also have influenced the finding. The multicollinearity analysis shows high correlations within three factors which contributed to the overall contextual influence score. There is a possibility that contextual influence score placed more weight on factors which had little impact in the Maldivian SOE context while missing out on factors which had a more significant impact. Hence this aspect also needs further exploration.

This contradicts existing literature which does suggest that the public sector and SOEs have a plethora of possible factors unique to different cultures, situations and context which can influence the leadership styles and behaviour (McCarthy, 2014). While more contextual factors need to be further studied, some contextual factors measured in this study have a negative correlation to transactional leadership factors. One of the factors that influence leadership is contingent reward, which includes them recognizing and rewarding their subordinates when they perform well. However, in some cases, leaders may not have the power to acknowledge or reward the employees, due to restrictions on their abilities as their leader. This inability to reward good behaviour and to punish bad behaviour is measured by the contextual influence score, as the level of constraints on

autonomous actions. The findings show that leaders who had higher scores in the contextual factor of constraints on autonomous actions did indeed score lower on the contingent rewards in transactional leadership scores and these two factors had a strong negative correlation. In addition, the findings show a strong negative correlation between the contextual factor, political-administration dynamics, and the transactional leadership factor, management by exception. Reasons for this correlation cannot be ascertained from this study and further research is necessary to understand this observation.

In the cases of Laissez-faire, the study did not show any relationship between contextual influence and did not have a strong correlation with any of the several contextual factors examined in the study. Since the findings observed a significant and strong negative correlation between contextual influence and transformational leadership scores, it can be concluded that contextual influence does indeed affect leadership styles. However, the findings also suggest the need to further study the contextual factors as other researchers have also noted the complexity of socio-cultural context as influencers of leadership styles (McCarthy, 2014).

These findings contradict the findings reported in similar literature on other countries, which shows strong correlation between leadership styles and financial performance. Some examples of such studies include that of Arif and Sule (2019), which looked specifically into the leadership style and its relations to financial capability of the SOEs of Indonesia that observed significant correlation between transformational leadership and financial performance and similar findings were observed in Canada (Lee, 2017) and South Africa (Mabasa, 2018). One reason for the finding could be the small SOE population in the Maldives for statistical testing. However, it has been documented that when the population is small and the sample of the study captures a large portion of the population, even those correlations which are statistically insignificant can be used to arrive conclusions (Jones, Duncan, & Subramanian, 2001). Other possible reasons for the findings could be due to the marked difference in the ROCEs of the SOEs (as seen in the high standard deviation of the mean of ROCE (mean = 12.75%, σ = 14.87)). Although ROCE accounts for organisation size, the different SOEs of Maldives have vastly different trajectories of performance. Some SOEs such as Dhiraagu (telecommunications) and MIB (banking) are more financially profitable and better organised than their counterparts in the study.

In this study, ROCE was chosen as the indicator for financial performance since it does adjust for the varying sizes of companies when comparing between them. However, adjusting on size alone might not facilitate the most meaningful of comparisons when comparing between companies which may have differences which are greater than just size. For instance, the industry that a company operates in may have as much a significant impact on their profitability as their size may. For example, industries such as legal consultancy and restaurants are known to have higher rates of return than most other industries (Biery, 2017). In the context of this study, the same can be said about the SOEs in the tourism industry or telecommunication companies, which operate in quite a profitable duopoly. In addition to the differences in the varying profitability across industries, another factor which may contribute to the differences in financial performance, especially true for SOEs, is the legal environment they operate in (Lee, 2017). Some SOEs make low profits or even losses, not because of leadership or some other factor for

that matter, but because they are to operate with certain objectives of providing some service to the people of the country and not to increase their financial performance. The effects of these rules that such companies follow should be accounted for if reasonable comparisons with it are to be made. Once the financial metrics are normalised to account for such differences among the companies which are being compared in the study, the effects of the leadership style may be isolated and observed.

Another possible explanation for the findings could be that the effects of leadership on the financial performance were lost in the noise of other factors which also affect the financial performance. This effect could have been compounded when comparing the financial performance across different SOEs spanning across different industries and different sizes (Phillips, Volker, & Anderson, 2016). It could have been factors such as their size, or the industry they operate in had a much more significant effect on their financial performance than leadership did. It could also be that there are a large number of factors which affect the financial performance, each with little individual significance which may appear statistically irrelevant when compared in isolation. Hence, a more meaningful insight to the effect of leadership on the financial performance of the SOEs could be obtained if adjustments are made to the financial data to remove the effects from the other factors before conducting comparisons. This itself would be no trivial task, as identifying other factors and understanding the significance of each of them on the SOEs of the Maldives would in turn require more research.

The findings suggest that in the context of the Maldivian SOEs, leadership style does not have any significant impact on the financial performance of the company. Based on this finding, it can be suggested that further studies need to be done to find out what are the main factors influencing the financial performance of the SOEs. Moreover, additional research is also needed to analyse why transformational leaders are not able to yield better financial performance and identify the factors hindering the performance of the leaders. It may be prudent to test the effect of leadership styles, and how changes in leadership styles positively or negatively affect the financial performance of the SOEs more accurately can be to carry out a longitudinal study across several years. Moreover, this will allow measuring the performance of the company against itself, at different points in time with different leaders and different leadership styles. This could eliminate much of the adjustments that would have to be made to make a reasonable comparison between different companies when trying to assess the impact of leadership styles on financial performance. However, while more factors may remain stable when comparing the company with itself, there definitely will be contextual factors to adjust for, like political and social climate, inflation rates and economic situation.

Limitations

This study was done within a very small time frame and encountered delays such as bureaucratic restrictions, that made collecting enough data very challenging. The time frame in which the study took place also coincided with COVID-19 pandemic and lockdowns which was followed by a large number of public holidays. All these factors together impacted the number of respondents from each company and forced the study to project the results of few participants on to the organisations

involved.

Additionally, the instrument used to measure leadership in the study was limited only to self-reviews of the leader and did not factor in the follower's perception. The lack of follower perspective could have swayed the results to show a false perception of leaders which can have discrepancies from the true existing leadership style in the organisation. Furthermore, the success of leadership was only measured using ROCE. Although ROCE adjusts for the varying sizes of companies, the SOEs in the study operated in different industries with different goals which may not have aligned in maximising financial success. The study did not compare past performance with the current performance of individual companies, ignoring possible improvement the companies may have seen, regardless of the current financial situation.

Recommendations

The findings of this research raises many questions and further research is needed to reach more concrete explanations and conclusions. This can be done by collecting more data from various levels of management and associating responses from different levels of hierarchy with different levels of significance. Collecting more responses from each SOE can also help paint a more accurate picture of their leadership style. In addition to this, there are more comprehensive surveys which could analyse the leadership styles with more scrutiny, including resolving the self-rating of leaders against the ratings their followers give them. However, as surveys like these are behind significant paywalls it will require appropriate funding to be properly executed. Furthermore, the study could serve as a launching point for other areas of research such as looking into possible factors which could influence or hinder the ability of the transformational leaders to reach their true potential.

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