

# **Investigating the Factors Effect on Perceived Organizational Reputation in Organizations (Case Study: South West Power Generation Management Company) "Abadan Power Plant"**

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**Abstract** – The purpose of the present study was to investigate the effective factors of perceived organizational reputation in South West Power Generation Management Company.

The statistical population of the study was all of staffs of South West Power Generation Management Company. Among them, 174 people were selected as a sample by available sampling method. The tool of the study was a questionnaire, which its reliability was confirmed at the level of 0.841 by Cranach's alpha standard, the gathered data were analyzed by the method of Structural equation analysis (SEM analysis) and with utilizing from Amos Software. The findings showed that leadership style (transformational and transactional) and merit-based empowerment have effect on perceived organizational reputation, but control-based empowerment doesn't have any effect on perceived organizational reputation.

**Keywords** – Perceived Organizational Reputation, South West Power Generation Company, Structural Equations Modeling, Empowerment.

## **I. INTRODUCTION**

Dynamism has been created in business environment due to the factors such as economic growth or depression, increasing competition, globalization, mergers, combinations and technological innovations and has faced the capacity of organizations with challenges in timely understanding and correct response to these changes. One of the main powers of any organization to face with these challenges is its staffs as its most important asset. But the staffs will help to achieve the goals of the organization and come over to these challenges, when they are satisfied about their role in the organization and when they have required capability and abilities to do their tasks. In this regard, managers always try to identify the resources and assets which gaining them need to high endeavor and cost. Managers also try to have optimal utilization from such resources and assets. Therefore, the winner managers are those who utilize from these assets by the most effective, and efficient ways. The most important resources of any organization is its human, financial and technical resources and it is no doubt that the human resource determine the trend of other resources, because it is human source that utilize from other sources in order to achieve the goals by his ability and correct planning (Hudson, 2002).

According to the study of Yukl (2006), strategic Leadership in any organization, directly and indirectly determines the structural forms, culture, atmosphere and organizational communications of that organization. Whitworth (2011) has stated that different leadership styles support different communication styles in affecting followers and are the main elements of the internal communication system. In this regard, other researchers (like, Dowling (2004), Men (2011)) also believe that management competence and Leader behaviors can stimulate the public relations implications such as perceived organizational reputations and communications quality. Moreover, management researchers (such as Bass 1999, Castro et al, 2008) showed that effective leadership actions can empower staffs in order to carry out their tasks and duties and improve business outcomes. Previous studies on public relations emphasized on empowerment are divided in to two main approaches. A group of them has focused on enabling functions of public relations (for example: why public relations managers should be a part of the governing coalition? And how can they be counted on the decision-making level?) (Gronic 1992, Gronic et al 2002, Men, 2009) and another group has considered empowerment as an element of public relations (Douai, 2003).

Douai & Tooth (2004) have stated that: despite of comprehensive researches on leadership structures in management principles, business and marketing, there is no strong and rich literature on leadership structures in the field of public relations. Although recently, a few studies have been conducted to investigate the characteristics of leadership in public relations (Ilk Jin 2010, Chua, 2008), but little scholarly attentions have focused on the matter that leadership as a determinant organizational factor how can effect on public relations. In addition, experts and researchers in the public relations field have tried for many years to find a key concept in order to prove the effectiveness of public relations based on organizational levels. Their endeavor about contemporary public relations researches has led to recommend organizational reputation as a main and important concept to show the value of public relations in the organization (Men & Stack, 2012).

## II. LITERATURE REVIEW

Over the past decade, the public relations researchers have increased their emphasis on communications management. In this regard, Gronic et al (2002) have shown in their study internal characteristics of an organization such as participation culture in the organization, organized structures, symmetrical communications and gender equality are critical factor to achieve the best performance of public relation. These predictive factors not only provide a desirable condition to external performances of the public relations, but also facilitate the internal communication of staffs which are effective in the consequences of the staffs' behavior and attitude (Gronic et al, 2002).

It should be noted that all of these underlying factors are tied to the concept of organizational leadership.

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develop existing knowledge about the effect of organizational characteristics on public relations.

Dipaola & Shannon – Moran (2001) have confirmed the existence of a strong relationship between participant Leadership style of leaders and organizational citizenship. Shannon-Moran states that, it is possible to gain better results in relation to the organizational citizenship by leadership behaviors .

Here, the analyses show that honesty is the strongest factor affecting organizational citizenship behavior.

Ozarralli (2002) has investigated the effect of transformative leadership dimensions (idealize influence, individual consideration, intellectual encourage and inspirational motivation) on empowerment and its dimensions (significantly, effectiveness, autonomy and competence) in eight private active companies in the fields of textiles, advertising, communications, construction, aviation, energy, banking and health and has concluded that transformational leadership has significant and positive effect on empowerment dimensions. According to the Bass and Avoluo (2002). transformational leaders have very much attention to the individually growth and success of their followers. The individual considerations can be included providing a kind of support, encouragement, training and developmental experiences to the followers (Alarifi, 2011).

Chen Fei (2006) has studied the relationship between transformational leadership and organizational commitment and organizational citizenship behavior. The result of his study indicated that the transformational leadership style leads to high level of organizational citizenship behavior and also create organizational commitment among the members of the organization.

Garcia and Morales (2008), have investigated the effect of transformational leadership style on organizational innovation and organizational performance which is depend on the level of organizational learning in industrial companies. The findings showed that there is a positive relationship between transformational leadership and organizational innovation, transformational leadership and organizational performance and also between organizational innovation and organizational performance (Alarifi, 2011:8).

Gumusluoglu & Isle (2009) argued that transformational leadership effects on innovation, especially in organizational level. They found that, the two factors have great interaction with each other. In the other sides, Kang et al (2003) argued that developing a study to this level of analysis leads to a proper support to knowledge, because only a few number of experimental studies have emphasized on the relationship of transformational leadership and organizational innovation.

## II. METHODOLOGY, MODELING AND RESEARCH HYPOTHESIS

This study is an applied research in goals point of view and is a descriptive study in data gathering and analyzing perspectives. It is based on structural equations model (SEM) in used method viewpoint. The present study is

descriptive type and is classified as descriptive (non-trial), based on subject, nature and hypotheses of the study; because in this study, the relationship between under study variables has been investigated. Among various methods of descriptive studies, the method has been used in this study is the type of covariance matrix analysis (including factor analysis and structural equations modeling). In addition, this study is an applied investigation in goals viewpoint. The data of the study were gathered by a questionnaire distributed among the staffs of the under study company. The statistical population was all staffs of Electricity Power Distribution Company in Abadan City. The used sampling method in the study was Non-probability (non-random) sampling method. When the variance of population and used measuring parameter have been specified in previous studies, the researcher can use them to determine the volume of sample, otherwise the researcher should estimate the population variance by conducting primary studies (Sarmad and others, 2007).

The library method and questionnaire were used in this study to data gathering. In this study, books, articles, theses and internet searching were used to gather required data for literature review part. The regression method and AMOS software were used to investigate the relationship of variables.

#### Hypotheses and model of the study

The hypotheses of the study include:

**H1:** transformational leadership style has significant and positive effect on organizational reputation perceived by staffs.

**H2:** transactional leadership style has significant and negative effect on organizational reputation perceived by staffs.

**H3:** staffs' empowerment (merit-based enabling) has significant and positive effect on organizational reputation perceived by staffs.

**H4:** staffs' empowerment (control-based enabling) has significant and positive effect on organizational reputation perceived by staffs.

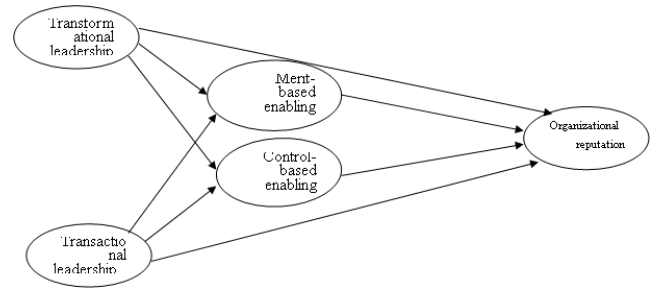
**H5:** transformational leadership style has significant and positive effect on staffs' empowerment (merit-based enabling).

**H6:** transformational leadership style has significant and positive effect on staffs' empowerment (control-based enabling).

**H7:** transactional leadership style has significant and negative effect on staffs' empowerment (merit-based enabling).

**H8:** transformational leadership style has significant and positive effect on staffs' empowerment (control-based enabling).

According to what was said in the above and the evidences presented in literature review, the conceptual model of the study is as follow, in which the effect of managements' styles (transformational and transactional) and empowerment (merit-based enabling and control-based enabling) on organizational reputation perceived by staffs has been presented.



#### Variables of the study

**Leadership:** Leadership is simple and recusant concept; thus there are several definitions for it. There are almost as many definitions as the number of leadership experts.

But generally, many scientists believe that leadership includes the process of influencing. In other words, leadership is an ability to influence others (individual or group) in order to achieve goals (Hersey, Blanchard and Devi, 1996; quoted from Zali, 1383). Firstly, Bronze distinguished between transactional and transformational leadership style in 1978.

**Transactional leadership style:** bronze introduced transactional leaders as those who have a kind of exchange with their followers by rewarding them and made them to have better performance by rewarding the.

**Transformational leadership style:** Transformative leaders targeted the followers' basic needs (such as the need for self-actualization in Maslow's viewpoint) and lead them to a higher level of motivation (Pierce et al., 2003).

**Empowerment:** Empowerment is a term frequently used in today organizational sciences, but what is clear in empowerment literature is that all of the definitions are incomprehensive and according to Thomas and Vlahos, they more pay attention to describe a collection of certain ways and their effects on empowerment, rather than defining the term (Thomas et al, 1999). But in general, empowerment is viewed in two perspectives: The first view is paying attention to Empowerment as activities that organization do to share staffs in power resources and decision-makings. In this aspect, providing conditions to strengthen staff is concerned. The second empowerment view focuses on subject in psychological point of view. It means to create an internal sense in individuals to make independent decisions in their work process.

In this view, the attitude and the way of regarding people from job duties and their role in the organization are concerned (Ahmadi et al., 43: 2011).

**Perceived organizational reputation by staffs:** there are different definitions about organizational reputation in recent literature. Fumbran et al (2000) has defined reputation as "a collective assessment of organization's ability to present valuable results to a representative group or stakeholder."

#### Investigating the normality of variables

One of the main hypotheses of structural equation model (SEM) is the normality of variables' distribution. For investigating whether the sample belongs to the normal population or not, we can use tests and specific statistical diagrams available in SPSS software. One of them is

Kolmogorov - Smirnov test that investigate the normality of the variables. The results of this test are shown in below Table.

Table 1: The results of Kolmogorov – Smirnov test

Variables	Situation	Level (Sig)	Kolmogorov - Smirnov
Transformational leadership style	normal	0.547	0.753
Transactional leadership style	normal	0.703	0.694
Merit-based empowerment	normal	0.053	1.556
Control-based empowerment	normal	0.068	0.874
Perceived organizational reputation	normal	0.511	0.713

Since the significance level (sig) was higher than 5%, the normality of variables hypothesis was accepted.

*The results of the study:*

Two Components index values of T (T-value) and P were used to evaluate the significantly of the hypotheses after performing investigations and validating the recommended model. The critical ratio should be more than 1.96 or less than -1.96, based on a significant level of

0.05. The parameter value between two ranges isn't considered important in the pattern. Also values between these two amounts indicate lack of significant difference calculated for regression weights with zero and at 95 percent. Hypothesis of study with regression coefficient and partial index values related to each hypothesis is presented in the table below.

Table 2: The results of hypotheses testing

Result	P	C.R (Critical Ratio)	Standard Estimation	Trend	Relationship	Hypothesis
Confirmed	***	5.138	0.303	Direct	Transformational leadership on perceived organizational reputation	1
Confirmed	***	4.634	0.234	Direct	Transactional leadership on perceived organizational reputation	2
Confirmed	***	4.321	0.252	Direct	Merit-based empowerment on organizational reputation	3
Rejected	0.289	1.06	0.057	Direct	control-based empowerment on organizational reputation	4
Confirmed	***	6.259	0.408	Direct	Transformational leadership on merit-based empowerment	5
Confirmed	0.004	2.89	0.206	Direct	Transformational leadership on control - based empowerment	6
Rejected	0.880	0.15	0.009	Direct	Transactional leadership on merit-based empowerment	7
Rejected	0.942	-0.073	-0.005	Direct	Transactional leadership on control - based empowerment	8

According to the above table, the results of hypotheses testing are as follow:

**H1:** the transformational leadership style has a significant and positive effect on organizational reputation perceived by staffs

The results showed that standard regression coefficient is equal to 0.303 and Since  $P = 0.000 < 0.05$ , so first hypothesis was accepted, i.e. the transformational leadership style has a significant and positive effect on organizational reputation perceived by staffs

**H2:** the transactional leadership style has a significant and negative effect on organizational reputation perceived by staffs

The results showed that standard regression coefficient is equal to 0.234 and Since  $P = 0.000 < 0.05$ , so the second hypothesis was accepted, i.e. the transformational leadership style has a significant and positive effect on organizational reputation perceived by staffs

**H3:** staffs empowerment (merit -based empowerment) has a significant and positive effect on organizational reputation perceived by staffs

The results showed that standard regression coefficient is equal to 0.252 and Since  $P = 0.000 < 0.05$ , so third hypothesis was accepted, i.e. the staff empowerment (merit -based empowerment) has a significant and positive effect on organizational reputation perceived by staffs.

**H4:** staff empowerment (control-based empowerment) has a significant and positive effect on organizational reputation perceived by staffs.

The results showed that standard regression coefficient is equal to 0.289 and since  $p = 0.289 > 0.05$ , so the fourth hypothesis was rejected, i.e. staff empowerment (control-based empowerment) has no significant and positive effect on organizational reputation perceived by staffs.

**H5:** the transformational leadership style has a positive and significant effect on staffs' empowerment (merit – based empowerment).

The results showed that standard regression coefficient is equal to 0.408 and Since  $P = 0.000 < 0.05$ , so the fifth hypothesis was accepted, i.e. the transformational leadership style has a significant and positive effect on staffs' empowerment (merit –based empowerment).

**H6:** the transformational leadership style has a significant and positive effect on employee empowerment (control-based empowerment).

The results showed that standard regression coefficient is equal to 0.206 and Since  $P = 0.000 < 0.05$ , so the sixth hypothesis was accepted, i.e. the transformational leadership style has a significant and positive effect on staffs' empowerment (control –based empowerment).

**H7:** transactional leadership style has a significant and negative effect on staffs' empowerment (merit –based empowerment) .

The results showed that standard regression coefficient is equal to 0.009 and Since  $P = 0.880 > 0.05$ , so the seventh hypothesis was rejected, i.e. The transactional leadership style has no significant and negative effect on staffs' empowerment (merit –based empowerment).

**H8:** transactional leadership style has a significant and negative effect on employee empowerment (control- based empowerment).

The results showed that standard regression coefficient is equal to -0.005 and Since  $P = 0.942 > 0.05$ , so the eighth hypothesis was rejected, i.e. The transactional leadership style has no significant and negative effect on staffs' empowerment (control- based empowerment).

## SUGGESTIONS FOR FUTURE STUDIES

This research discovered new notes through different steps and Simultaneous, further uncertainties create to researchers with the progress of the study; that their investigation needs to further due to limitations. Therefore, following topics are recommended for future researcher's investigations that intend to work in this area :

- Developing the present study to other organizations or similar areas of activity.
- Taking other variables into account such as different styles of leadership and their effect on staffs empowerment.
- Identifying other factors that affect staffs empowerment.

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