

EFFECTS OF LEADERSHIP STYLES ON HOTEL FINANCIAL PERFORMANCE

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Abstract

Purpose – The purpose of this paper is to examine the effects of leadership styles on financial performance. Although the importance of leadership styles has been recognized in practice and academia, little research has focused on the impact of leadership on financial performance in hospitality and tourism industry.

Design – The paper first defines motives, leadership styles, leaders' experiences, and Linguistic Inquiry and Word Count (LIWC). It then uses quasi-experimental design to predict the impacts of leadership styles and leaders' experiences on financial performance.

Methodology – The study has conducted partial least square regression to find the effects of leadership styles and leaders' experiences on financial performance of the hotel companies.

Approach – Vision statements of the publicly traded hotel companies are transferred into motives and leadership styles using the LIWC.

Findings – Transformational leadership and longer-tenured CEOs with high power and affiliation motives are associated with return on equity (ROE) whereas transactional leadership and older CEOs with high achievement motive affect return on assets (ROA).

Originality of the research – The study opens a new approach to quantify the vision statements using LIWC and contributes to the relationship of leadership styles, leaders' experiences, and financial performance.

Keywords Transactional leadership, transformational leadership, ROA, and ROE

INTRODUCTION

Although effects of leadership styles on business financial performance have been recognized in academia and practice (Tran & Philipp, 2010), little research has specifically examined which leadership style affects certain key financial performance ratios such as return on assets (ROA) and return on equity (ROE). One of the main reasons discouraging researchers to study the importance relationship for business practice is the validity of the measurements of leadership styles.

Leadership styles have been discussed in three models: the behavioral leadership model (Fleishman, Harris, & Butt, 1956), vertical dyad linkage theory (Dansereau, Cashman, & Graen, 1973), and the transformational leadership model (Bass, 1985; Burns, 1978). In the behavioral leadership model, Fleishman et al. (1956) identified two major behaviors "initiating structure" regarding leaders structuring the work for the subordinates with goals and rules, and "consideration" regarding leaders sharing their understanding towards their subordinates about the overall goal. In the vertical dyad

linkage theory, there is an exchange between a leader and a follower. A leader first evaluates the member's ability, negotiates the exchange between power and dedication, and routinizing the exchange process. In the transformational leadership, leaders tend to transform their followers using inspiration, ideological values, and empowerment of followers.

Leadership styles are captured in a vision statement; Collins and Porras (1991) define a firm vision as a statement including core beliefs and vivid mission description. Researchers have used the two measuring methods for leadership styles in a vision statement including Multifactor Leadership Questionnaire (MLQ) (Bass, 1985) and motive coding methodology (Winter & McClelland, 1978). Unfortunately, when using the MLQ to examine the effects of leadership styles on performance, researchers have come up with different conclusions.

Waldman, Javidan, and Varella (2004) report that leaders' motives and strategic change in organizations strongly affect firm performance. Barber and Warn (2005) states that transformational and transactional leaderships should be link together to significantly affect the firms performance. Keegan and DenHartog (2004) report that transformational leadership does not significantly affect project performance whereas Strang (2005) states that transactional leadership does not significantly affect project effectiveness and stakeholder satisfaction. Uprety (2016) refuted the effect of job satisfaction on the relationship between the CEO leadership style and the profitability of an organization. Hall (1977, p.242) "really believe in leadership" whereas Thomas (1988, p.399) suggested, "it will require very considerable additional research before we can offer a general assessment of the impact of leadership on organizational performance".

One of the main reasons for the above issue is the inconsistency of the subjects during the survey of the self-report questionnaire (McClelland, 1985). To avoid the "changing conscious", McClelland (1985) and his associates have created the revised thematic apperception test (TAT), "running text" TAT, to measure unconscious motives of participants in their writing notes.

The deep reasons of modern text analysis are from Freud (1901) when he assumed that slips of tongue reveal a person's hidden intentions. McClelland and thematic apperception test (TAT) (McClelland, 1979, Winter, 1973) found that the stories people described in response to drawings could provide some clues to their needs for achievement, affiliation, and power. The researchers (Donley & Winter, 1970; Winter & Steward, 1977; Tran & Philipp, 2010) have found that the words in the text would imply the latent motivations so that we could find the types of motives (achievement, power, or affiliation) of a person based on benchmarking his statement. Donley and Winter (1970) and Tran and Philipp (2010) have applied this method to find the motives of the presidents and the CEOs from their statements. The researchers have also verified the reliability of the "running text" Thematic Apperception Test (TAT) with Cronbach's alpha over .80 for each motive.

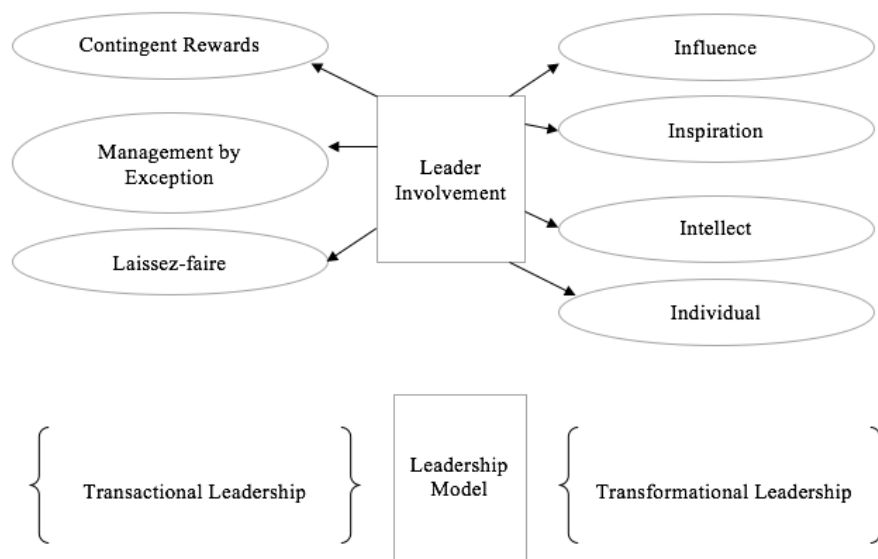
In addition to leadership styles, CEOs' experiences through ages and tenure are also significant factors affecting financial performance in the upper echelon theory.

The present study has thus used the LIWC software to examine motives in the MLQ of the two leadership styles to transfer the motives in the vision statements of 36 publicly traded hotel companies to leadership styles in order to examine the effects of leadership and CEOs' experiences on financial performance of the hotel companies.

LITERATURE REVIEW

Bass (1990) suggests a leadership model based on levels of leader involvement which indicates two types of leadership: transactional and transformational leadership (Figure 1). In the transactional leadership, bureaucratic authority and legitimacy work are effective only within the highly structural organization where employees are motivated by rewards and avoided by punishments. In the transformational leadership, worker empowerment is more efficient because managers strive to motivate their employees from within.

Figure 1: **Simple model of transformational vs. transactional leadership based on Bass (1990)**



Source: Study Review

In the following literature review, the study analyzes the relationship between leadership styles and CEOs' personalities that affects the company financial performance.

1. AGENCY THEORY, ACHIEVEMENT MOTIVE, TRANSACTIONAL LEADERSHIP, and ROA

The agency theory states that a principal (leader) seeks to influence agents (followers) to economize on his/her costs based on the assumptions that all actors are narrowly self-interested and agents are more risk averse than the leader (Eisenhardt, 1989). When a leader believes in the agency theory, he/she will set up a goal that minimizes costs by asking other agents for a transaction exchange. The leader then becomes more responsible for the goal and thus focuses on the productivity of the agents to accomplish the goal. Such a leader often possesses a motive to strive for excellence and performance such as achievement motive.

Achievement motive is described as a concern over starting, maintaining, and directing evaluated performance of human activities (McClelland, 1985). In the need for achievement, people strive for mastery and proficiency in their activities. This motive thus affects the success and performance of human behavior. In 1938, Henry Murray postulated that the need to achieve varied in strength in people and influenced their tendency to approach success and evaluate their own performances.

McClelland measured his participants' fantasies and then looked for relationships between strength of achievement motivation in different societies, conditions that had fostered the motivation, and its results in the work world.

Several other researchers have studied n-achievement. Atkinson (1957) illustrated the relationship between the motive of achievement and behavior intention as follows:

$$A = f(M * E)$$

where:

A: Action tendency (Behavior Intention)

M: Motive

E: Expectancy that action A will lead to a goal.

Per Atkinson (1957), the motive of achievement is the key factor that affects action tendency and behavior intention is a function of motivation and expectation. The more people are motivated and expect, the more they intend to act. Leaders with high in achievement motive concentrate on success through their own effort resulting in a lack of interpersonal sensitivity (Berlew & Williama, 1964). Leaders motivated by the need to achieve have no concerns about what people think about them because they set goals and reach their own recognition first (McClelland & Burnham, 2003). They expand their growth goals toward more new businesses, more workers, and increased production rather than influence others (McClelland & Winter, 1969, 1971).

Theories of distraction and conflicts (Baron, Moore, & Sanders, 1978, McClelland, 1965) state that achievement motive is affected by various forms of distraction. According to Roseth, Johnson, and Johnson (2008), interpersonal relationships are likely to disrupt achievement tasks if the interpersonal relationship changes the priorities of the task at hand. Conroy and Pincus (2011) state that achievement motivation is not

associated with interpersonal relations. Chusmir (1985) reports the motive of the leader in this case is achievement motive. Then his leadership style will become transactional leadership because there is an exchange between leaders and followers. For example, a hotel manager hires part-time housekeepers to reduce costs and increase return. The housekeepers clean a number of rooms to exchange for manager's compensation. The manager thus accomplishes his goal when receiving revenue from customers. The manager's leadership model is transactional because the leader uses transaction method to exchange his cost for cleaning quality, not for housekeepers.

In sum, achievement motive is related to the leadership style focusing on rewarding and punishing to achieve the work performance such as transactional leadership. Transactional leadership is featured by 3 characteristics: contingent rewards, management by exception, and laissez-faire (Bass, 1990). Contingent rewards are used by managers to tell employees what to do in order to be rewarded. Laissez-faire is the contingent style without requirements; managers want to let employees manage themselves. Managers want their employees just to follow standard performance without questioning.

The contingent reward component of transactional leadership refers to leader's behavior, which emphasizes clarifying individual, group roles and requirement for successful completion of tasks, and provides physical or psychological rewards for the fulfillment of contractual obligations (Bass, 1998). Transactional leaders affect organizational motivation when they negotiate the conditions either by providing rewards for accomplishing the objectives or threats of punishment for poor performance e.g. cut the bonus and suspension of promotion (Moore & Rudd, 2006; Bass, 1990). As a result, net income and return on equity are key measurements for transactional leaders.

Management by exception identifies and fixes problems before or when it happens. Eeden, Cilliers, and Deventer (2008) point out that some of the indicators that active management by exception look for "mistakes, irregularities, exceptions, deviations from standards, complaints, infractions of rules and regulations, and failure" (p.255). Scott-Halsell, Shumate, and Blum (2008) indicate that a transactional leader will appeal to the lower levels of Maslow's (1943) hierarchy that consist of food, shelter, safety, and the need for affiliation. The transactional leader is thus very sensitive to the money matter such as price and profit. When he hires a new labor, the first thing he concerns is the wage and productivity.

Laissez-faire waits until the problem arises then tries to correct it. Schein (2004) report that transactional leadership affect organizational behavior when leaders influence their individuals and groups through achieving goals. Therefore, transactional leaders use penalty for the employees failing to reach the goals without consideration for any external obstacles. Sarros and Santora (2001) summarize management by exception (active and passive) by pointing out key characteristics of this style in a leader: "Trust in workers, maintenance of status quo, poor communication, and lack of confidence" (p.389). The reward and punishment methods including rewards, active and passive management are thus applied to increase productivity as a goal of achievement motive.

In addition, the transactional leaders with a high achievement motive are interested in great accomplishments such as maximizing assets. Therefore, the transactional leaders who are interested in the price of labors and using monetary approaches in management and developing assets are assumed to be motivated by the achievement motive.

The profitability ratio such as return on assets (ROA) is the indicator for the company's efficiency in assets. It is a measurement for earnings generated by the company during a period of time based on its assets. When a transactional leader striving for cutting the cost to increase the net income expect to develop net worth rather than goodwill in assets. As a result, an increase in net income might increase ROA due to relatively decreasing total assets.

Hypothesis 1: The impacts of transactional leadership by high achievement motive will be positive on the return on assets. There are 2 sub-hypotheses H1a and H1b as follows:

Hypothesis 1a: High achievement motive would be associated with transactional leadership.

Hypothesis 1b: Transactional leadership would correlate return on assets.

2. CHARISMATIC THEORY, POWER AND AFFILIATION MOTIVES, TRANSFORMATIONAL LEADERSHIP, AND ROE

The charismatic theory states that a leader transforms the needs, values, and aspirations of followers to make significant personal sacrifices in the interest of some mission (House, Spangler, & Woyke, 1991). When a leader believes in the charismatic theory to encourage and empower others to direct the group toward an external goal, he is driven by power motive (Haley, 1969). Then his leadership style will become transformational leadership because there is a growth of both leaders and followers. For example, a front desk clerk empowered by Ritz Carlton's managers exceeds his/her duty to satisfy hotel guests for the missions of the hotel as Ritz Carlton motto "We are ladies and gentlemen serving ladies and gentlemen". The manager might not consider the cost that might occur to develop the goodwill of the hotel. The motives of the manager are thus related to people and employees; that is, power and affiliation motives in the 3-need theory (McClelland, 1985).

Power motive is defined as starting, maintaining, and directing the control or the means of influencing a person (Veroff, 1957). The power motive is thus the need to have an impact on other people. Browning (1960), using the Thematic Apperception Test (TAT) research strategy analyzed the protocols of a sample of businessmen and politicians. Results showed that candidates for political office scored higher power motive than businessmen. McClelland (1985) discovered that students at Harvard with significantly higher than average need for power scores chose teaching as an occupation (N = 246). Students who became clergymen and psychologists had the next highest average need for power scores. Winter (1973) and Winter and McClelland, (1978) also identify the power motive as the need for impacting on others' behavior and emotions as well as a concern with prestige and reputation. Power motivation is also positively associated with

extreme risk taking (McClelland & Watson, 1973). People high in power motive like to work in institutional authority, discipline, and self-respect (McClelland, 1985). The high-power person prefers to achieve solidarity within a group and direct the group toward a goal in the firm missions (Haley, 1969). Compared with high achievement motive person looking for new and alternative means, the high-power motive generally stays with available means and strives for a greater share of existing limited resources (McClelland & Winter, 1969, 1971).

The affiliation motive is defined as a concern over establishing, maintaining, or restoring a positive affective relationship with another person or group of persons (Heyns, Veroff, & Atkinson, 1958, 1992). Atkinson (1957) presented to students some slides of objects so blurred they could not be recognized. Images were assigned in each of four quadrants on the slide. The images were either of faces or plates about the size of a face. Students with high n-affiliation scores saw the quadrant in which the faces appeared most clear even though they could not recognize the stimuli. Students with a high affiliation motive are friendly and looking forward to positive images. Teachers provide a framework of cooperative learning communities for peer students with a high need for affiliation to engage in learning activities enthusiastically (Furrer, Skinner, & Pitzer, 2014). Entin (1974) and French (1956) found that people are very important to individuals high in need for affiliation. When given feedback about how a group is working, the individuals with high n-affiliation scores prefer feedback on how well the group is getting along together rather than on how well they are performing on the task itself.

Other research in power and affiliation motives includes a study conducted by Kolb and Boyatzis (1970). They studied helping relationships in a series of different groups. They found that members who were high in need for power and low in need for affiliation tended to be dictatorial and ineffective as helpers in the group. Therefore, the managers with power and affiliation motives often concern to employees. Their leadership style is thus related to the transformational style.

In the transformational leadership, a leader is thus able to create the fire within the employees to attain the objectives by using his own model to inspire employees' emotion, and their own analytic knowledge (Sarros & Santora, 2001). The transformational leadership includes four dimensions: influence, inspiration, intellect, and individual (Bass, 1990). Inspirational motivation is achieved by motivating and inspiring follower to achieve common goals through a shared vision (Scott-Halsell, Shumate, & Blum, 2008). The key to inspirational motivation is making the followers achieve more than they would have on their own and doing this by giving them a sense of belonging and ownership of the vision and goals.

Idealized influence refers to behaviors emphasizing that benefits for groups are more important than benefits for an individual within high ethical norms. A leader who possesses idealized influence generally becomes a role model for subordinates in an organization (Sarros and Santora, 2001). Salvation (2006) and Nahavandi (2009) report that transformational leadership effectively influences behavior when leaders motivate others to achieve their goals. Therefore, transformational leaders use their own personal cares to energize employees in order to motivate them to reach the goals.

Individual consideration refers to coaching, supporting, and stimulating subordinates while acknowledging followers' feeling, emotions, and needs. Leaders who practice individual consideration are likely to treat associates, on a one to one basis, differently but equitably. Managers not only recognize subordinates' need and raise their perspectives, but also effectively address employees' goals and challenges (Bass & Avolio, 1997).

In the transformational leadership, a leader is thus able to create the fire within the employees to attain the objectives by using his own model to inspire employees' emotion, and their own analytic knowledge (Sarros & Santora, 2001).

The profitability ratio such as return on equity (ROE) is the indicator for the company's efficiency in equity. It is a measurement for earnings generated by the company during a period of time based on its net worth. When a transactional leader striving for increasing employee benefits in the net worth rather than goodwill in assets. As a result, an increase in net income might increase ROE due to relatively decreasing equity. The transformational leaders are interested in motivating people without using monetary tools. The wages of the employees and prices of products/services selected by the transformational leaders are often high due to their significance to make total equity relatively reduced. The transformational leaders are thus increasing employee benefits expenses in equity rather than investing in enlarging assets, resulting in increasing the return on equity (ROE). Therefore, we suggest the following hypothesis:

Hypothesis 2: The impacts of transformational leadership by power and affiliation motives will be associated with the return on equity. There are 2 sub-hypotheses H2a and H2b as follows:

Hypothesis 2a: Affiliation and power motive would be associated with transformational leadership.

Hypothesis 2b: Transformational leadership would correlate return on equity.

3. UPPER ECHELONS THEORY, AGES, TENURE, ROA, AND ROE.

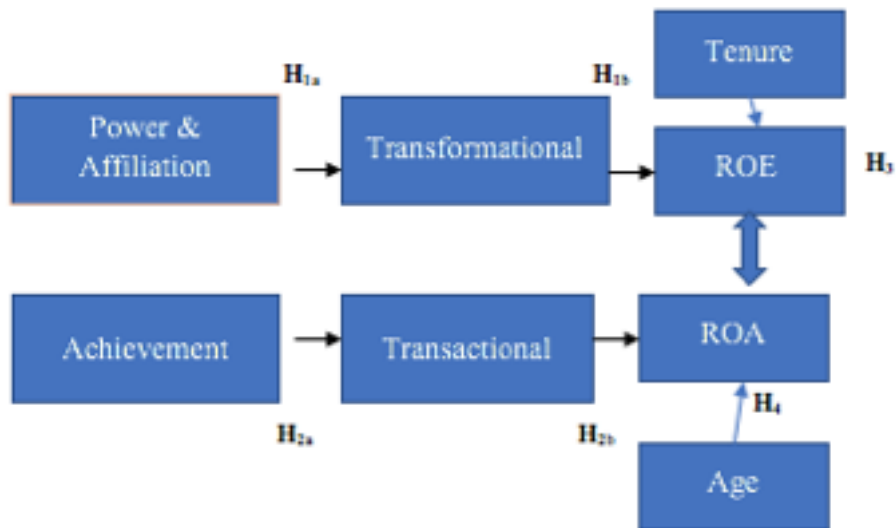
Upper Echelons theory (Hambrick & Mason, 1984) states that the financial performance of a company is partially predicted by managerial background characteristics. Little research has focused on effects of ages and tenure years on ROA and ROE. Chuang, Nakatani, and Zhou (2009) report that the age of CEOs is negatively related to innovation adoptions. In this study, older hotel CEOs might be interested more in profit and less in goodwill or assets, resulting in relatively decreasing assets so that increasing ROA. This study indicates longer-tenured CEOs might focus more on goodwill reputation and less on profit, resulting in relatively decreasing equity so that increasing ROE. Therefore, we suggest the following two hypotheses:

Hypothesis 3: The return on equity will be associated with CEOs' tenure.

Hypothesis 4: The return on assets will be associated with CEOs' age.

The following model is suggested in the study in Figure 2 based on the above hypotheses.

Figure 2: **Suggesting model for motives, leadership styles, ages, tenure and financial performance**



Source: Study Model

4. METHODOLOGY

4.1. Sample

The study sample includes 36 publicly traded hotel companies that are comparable based on hospitality services with their vision and financial statements available in Yahoo Finance (Appendix 1). The 36 hotel companies are among the largest hotel companies in the hotel industry. Their capital is comprised majority of the total hotel capitals. This is the reason we selected these hotels as representatives for the hotel industry. In each company, the study analyzes vision statements, CEO's age and tenure, net income, assets, and equities for 3 years: 2014, 2015, and 2016 illustrated in Table 1.

Tables 1. Description of leaders and finance performance of 36 hotel companies

CEO name	Hotel Company	CEO age	CEO tenure	ROA 3yrs	ROE 3yrs	Profit (000s)	Assets (000s)	Equity (000s)
SBazin	AC:PAR	55	4	0.0	0.1	0.2	9.9	4.4
RO'Neill	AHOTF	66	19	0.0	0.0	5.7	600.9	284.0
SJoyce	CHH	60	9	0.2	-0.3	130.2	735.8	-378.7
Jdeboer	CNDL	56	6	0.0	0.6	-8.9	283.0	-15.7
SChatrani	Elegant	49	2	0.1	0.1	0.0	0.2	0.1
MGandhi	Gandi	36	2	0.1	0.1	0.2	1.8	1.7
MHoplamazian	H	67	11	0.0	0.1	224.0	7827.7	4173.7
LHock	H12	62	32	0.0	0.0	7.3	725.3	538.3
JSun	Hermes	51	1	0.2	0.3	1.0	5.3	3.9
CNassetta	HLT	54	10	0.0	0.1	808.3	25986.0	5545.3
TMangas	HotelChocolat	58	2	0.0	0.0	0.0	0.0	0.0
JMurray	HPT	55	21	0.0	0.1	195.6	6337.2	2977.2
WWalter	HST	60	20	0.1	0.1	684.0	11745.3	7131.3
RSolomons	IHG	56	6	0.2	-1.7	677.7	3171.3	-394.3
RSarna	INDHOTEL	57	3	0.0	-0.1	-3308.3	101167.3	25063.7
DHansen	INN	47	7	0.1	0.1	84.4	1584.3	880.8
JOsborne	LaSalle	57	2	0.1	0.1	200.4	3904.6	2458.0
MBarnello	LTN.AX	51	8	0.0	0.1	35.0	1152.7	353.3
ASorenson	MAR	58	5	0.0	0.0	-4.3	167.3	89.0
ISchrager	MHGCU	70	32	0.4	-5.5	797.3	2121.7	-144.3
ALee	MLC.L	68	2	0.0	0.3	5.4	110.5	19.9
RAzoulay	MLHOT	66	32	0.0	0.0	84.3	4298.3	2365.7
JBortz	PEB	59	8	0.1	0.1	0.0	0.0	0.0
MFlanagan	Peel	56	12	0.0	0.0	19.0	2920.8	1652.3
Bivesha	PPH.L	71	10	0.0	0.0	0.0	0.0	0.0
TRhodes	Range	46	3	0.0	-0.1	-0.2	9.0	3.9
WNeumann	REZT	55	6	0.1	0.1	24.7	465.0	244.0
GMount	RLH	55	3	0.0	0.0	0.1	284.4	143.0
JArabia	SHO	47	6	0.1	0.1	194.7	3840.6	2333.4
FFiskers	SHOT	56	10	0.0	0.0	185.7	13500.0	6519.8
JYass	SIGA	61	30	-0.7	0.4	-114.9	169.1	-272.8
DSmith	SINCLAIR	65	30	0.1	0.0	62.7	845.7	2784.0
ZXin	SOHO	52	12	0.0	0.0	1.2	364.9	50.5
ASims	Sotherly	59	13	0.0	0.0	0.0	0.4	0.1
RSarna	TAJGVK	57	3	0.0	0.0	22.0	7478.7	3466.0
BWalshe	VICEROY	49	5	-0.1	-0.3	-429.3	8204.7	1392.0
MVerbaas	XHR	47	10	0.0	0.1	94.8	2938.5	1624.8

Source: Yahoo Finance

4.2. Linguistic Inquiry and Word Count (LIWC) 2015

According to the Thematic Apperception Test Revision through the running text method (Winter, 1994), Pennebaker, Boyd, Jordan, and Blackburn (2015) has created the LIWC 2015 to measure 3 motives by counting words that describe achievement motive (strive, effort, try, etc.), power motive (control, impact, influence, etc.) and affiliation motive (emotion, friendly, love, etc.) in each text statement. The software has made a great contribution in scoring motives without subjectivity (Pennebaker, 1997; Pennebaker, Mayne, & Francis, 1997; Pennebaker, 2002, 2003; Sharp & Hargrove, 2004; Campbell & Pennebaker, 2003; Guastella & Dadds, 2006; Lieberman, 2008, Sharp & Hargrove, 2004; Lepore & Smyth, 2002). The internal consistency of the 3 motives measured by corrected alpha for affiliation, achievement, and power are .80, .81, and .76, respectively.

In this study, LIWC 2015 was first used to measure 3 motives for each of 36 hotel companies through their vision statements. Then LIWC was used to measure 3 motives for each of 7 leadership characteristics including contingent, laissez-faire, management-by-exception, idealized, intellectual, individual, and inspirational (Avolio & Bass, 2004).

4.3. Factor analysis

At first, factor analysis was used to find 2 representing motive factors (achievement and power-affiliation) from the 3 motives (achievement, affiliation, and power) measured by Cronbach's alpha 0.8 collected by LIWC2015 in the 36 hotel company vision statements. Secondly, factor analysis was used to find representing leadership factors (transactional and transformational) from 7 leadership characteristics (contingent, laissez-faire, management by exception, individual, intellectual, influence, and inspiration) measured by Cronbach's alpha 0.7.

4.4. Partial Least Square regression, Return on Assets (ROA), and Return on Equity (ROE)

The technique Partial Least Square regression (PLS) was conducted to support hypotheses in this study. PLS was used for a set of dependent variables of ROA and ROE from a set of independent variables of age, tenure, transactional and transformational leadership styles.

In this study, ROAs of 2014, 2015, and 2016 were calculated as net incomes of fiscal year 2012, 2013, and 2014 divided by total assets of fiscal year 2014, 2015, and 2016, respectively. The ROEs of 2014, 2015, and 2016 were calculated as incomes of fiscal year 2014, 2015, and 2016 divided by total equities of fiscal year 2014, 2015, and 2016, respectively.

5. RESULTS

The LIWC2015 first measured the proportion index of the 3 motives (Affiliation, Achievement, Power) for each of 7 leadership characteristics described as follows:

Contingent reward emphasizes what managers expect from employees, and recognize their accomplishments. Laissez-faire measures whether managers let employees do their own thing. Management-by-exception assesses whether managers are content with standard performance. Intellectual shows the degree to which managers encourage employees to be creative and tolerant of seemingly extreme positions Influence indicates whether managers hold subordinates' trust, maintain their faith and respect, and act as their role model. Individual indicates the degree to which managers show interest in employees' well-being. Inspiration measures the degree to which managers provide a vision to help employees focus on their work.

As a result, LIWC2015 provides the scores of 3 motives for each of 7 leadership characteristics in table 2.

Tables 2: Leadership Styles by Motive Scores using LIWC2015

Motive Score (Aff, Ach, Pow)	Motive	Leadership Characteristics	Styles
(0, 0, 1)	$0 \cdot \text{Aff} + 0 \cdot \text{Ach} + 1 \cdot \text{Pow}$	EXCEPTION	Transactional
(0, 1, 1)	$0 \cdot \text{Aff} + 1 \cdot \text{Ach} + 1 \cdot \text{Pow}$	CONTINGENT	Transactional
(0, 1, 0)	$0 \cdot \text{Aff} + 1 \cdot \text{Ach} + 0 \cdot \text{Pow}$	LAISSEZ-FAIRE	Transactional
(1, 0, 1)	$1 \cdot \text{Aff} + 0 \cdot \text{Ach} + 1 \cdot \text{Pow}$	INSPIRATION	Transformational
(1, 1, 0)	$1 \cdot \text{Aff} + 1 \cdot \text{Ach} + 0 \cdot \text{Pow}$	INTELLECTUAL	Transformational
(1, 0, 0)	$1 \cdot \text{Aff} + 0 \cdot \text{Ach} + 0 \cdot \text{Pow}$	INDIVIDUAL	Transformational
(1, 1, 1)	$1 \cdot \text{Aff} + 1 \cdot \text{Ach} + 1 \cdot \text{Pow}$	INFLUENCE	Transformational

Source: Study Result

Seven leadership characteristics of each hotel company were then made up based on their 3 motives and the formula in table 1. The result shows in table 3 as follows.

Tables 3: Scoring for 3 motives and 7 leadership characteristics for 36 hotel companies

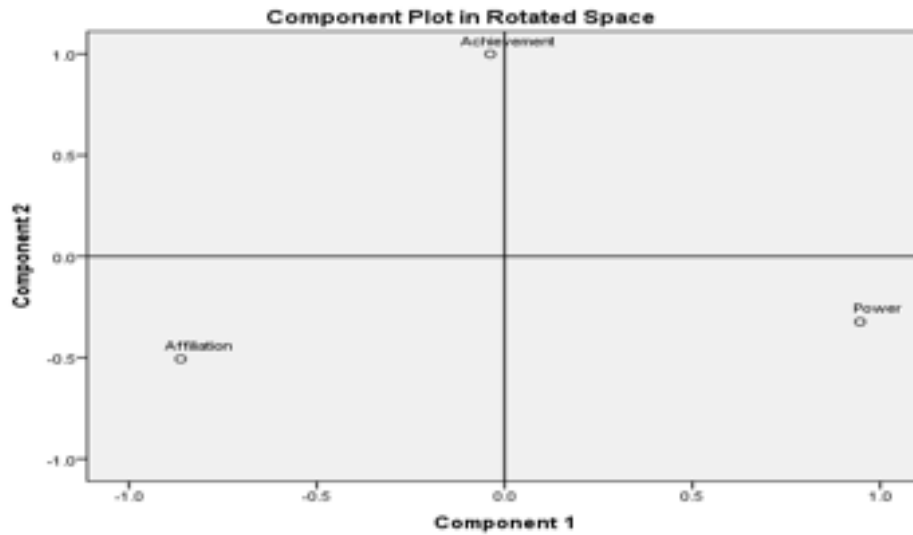
Hotel	Aff	Ach	Pow	Cont.	Laiss.	Excep.	Intel.	Influ.	Indi.	Ins.
AC:PAR	0.9	0.0	0.1	0.1	0.9	1.0	0.3	0.8	1.0	0.4
AHOTF	0.0	0.7	0.3	1.0	0.7	0.4	0.9	0.7	0.4	0.8
CHH	0.0	0.0	1.0	1.0	0.1	0.9	1.0	0.3	0.8	1.0
CNDL	0.3	0.3	0.3	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Elegant	0.0	0.7	0.3	1.0	0.7	0.4	0.9	0.7	0.4	0.8
Gandi	0.0	0.0	1.0	1.0	0.1	0.9	1.0	0.3	0.8	1.0
H	0.8	0.2	0.0	0.2	1.0	0.8	0.3	0.9	0.8	0.4

Hotel	Aff	Ach	Pow	Cont.	Laiss.	Excep.	Intel.	Influ.	Indi.	Ins.
H12	0.5	0.0	0.5	0.5	0.6	0.9	0.6	0.6	0.9	0.6
Hermes	0.3	0.3	0.4	0.7	0.6	0.7	0.7	0.6	0.7	0.7
HLT	0.3	0.3	0.3	0.7	0.7	0.7	0.7	0.7	0.7	0.7
HotelCh.	0.6	0.3	0.1	0.4	0.9	0.7	0.4	0.8	0.8	0.5
HPT	1.0	0.0	0.0	0.0	1.0	1.0	0.1	0.9	1.0	0.3
HST	1.0	0.0	0.0	0.0	1.0	1.0	0.1	0.9	1.0	0.3
IHG	0.5	0.4	0.1	0.5	0.9	0.6	0.5	0.8	0.7	0.6
INDHOT.	0.2	0.2	0.5	0.8	0.6	0.7	0.7	0.6	0.7	0.7
INN	0.4	0.2	0.4	0.6	0.6	0.8	0.6	0.6	0.8	0.6
LaSalle	1.0	0.0	0.0	0.0	1.0	1.0	0.1	0.9	1.0	0.3
LTN.AX	0.3	0.4	0.3	0.7	0.7	0.6	0.7	0.7	0.6	0.7
MAR	0.3	0.7	0.0	0.7	1.0	0.4	0.6	0.9	0.5	0.6
MHGCU	0.5	0.2	0.2	0.5	0.8	0.8	0.5	0.8	0.8	0.5
MLC.L	0.7	0.3	0.0	0.3	1.0	0.7	0.4	0.9	0.7	0.4
MLHOT	0.1	0.4	0.4	0.9	0.6	0.6	0.8	0.7	0.6	0.8
PEB	0.0	1.0	0.0	1.0	1.0	0.1	0.9	1.0	0.3	0.8
Peel	0.3	0.3	0.3	0.7	0.7	0.7	0.7	0.7	0.7	0.7
PPH.L	0.5	0.0	0.5	0.5	0.6	0.9	0.6	0.6	0.9	0.6
Range	0.0	0.5	0.5	1.0	0.6	0.5	0.9	0.6	0.5	0.9
REZT	0.8	0.2	0.0	0.2	1.0	0.9	0.3	0.9	0.9	0.4
RLH	0.3	0.2	0.5	0.7	0.6	0.8	0.7	0.6	0.8	0.7
SHO	0.0	0.0	1.0	1.0	0.1	0.9	1.0	0.3	0.8	1.0
SHOT	0.5	0.0	0.5	0.5	0.6	0.9	0.6	0.6	0.9	0.6
SIGA	0.3	0.3	0.3	0.7	0.7	0.7	0.7	0.7	0.7	0.7
SINCLAIR	0.3	0.4	0.4	0.7	0.7	0.6	0.7	0.7	0.7	0.7
SOHO	0.5	0.5	0.0	0.5	1.0	0.6	0.5	0.9	0.6	0.5
Sotherly	0.7	0.3	0.0	0.3	1.0	0.8	0.3	0.9	0.8	0.4
TAJGVK	0.5	0.0	0.5	0.5	0.6	0.9	0.6	0.6	0.9	0.6
VICEROY	0.5	0.0	0.5	0.5	0.6	0.9	0.6	0.6	0.9	0.6

Source: Study Result

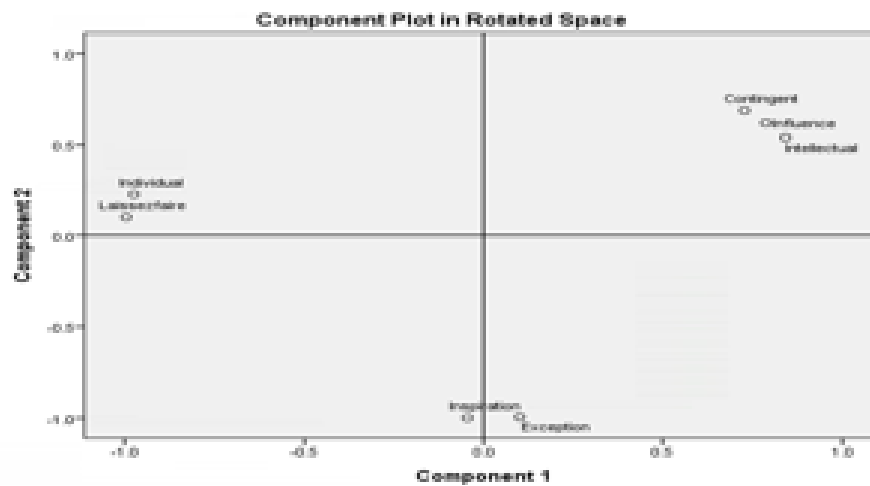
The results of factor analyses for 3 motives and 7 leadership styles indicate there are two latent motive variables for achievement and power-affiliation motives (Figure 3) and two latent leadership variables for transactional and transformational leadership styles (Figure 4).

Figure 3: **Two orthogonal factors of motive: Achievement and Affiliation-Power**



Source: Study Result

Figure 4: **Two orthogonal factors of leadership: Transactional and Transformational**



Source: Study Result

Multiple regression shows that the latent variable for achievement motive has significantly predicted transactional leadership ($p < .01$) so hypothesis 1a was supported. In addition, the latent variable for power and affiliation motives is a significant predictor for transformational leadership ($p < .01$) so hypothesis 2a was supported.

Findings of partial least square regression for a set of dependent variables of ROA and ROE from a set of independent variables of age, tenure, transactional and transformational leadership styles are summarized in tables 4 & 5 as follows:

Tables 4: **Relationships between age, tenure, leadership styles, and financial performance through latent factors**

Weights variables	Latent factors			
	1	2	3	4
CEO age	-.183	-.952	-.192	-.426
CEO tenure	.393	.533	-.933	.266
Transactional	-.593	-.010	-.373	-.777
Transformational	.678	.080	.228	-.069
ROA	-.143	-.147	.070	-.027
ROE	.223	.092	.055	.054

Source: Study Result

Tables 5: **Correlations of variables with latent factors**

Loadings Variables	Latent factors			
	1	2	3	4
CEOage	.287	-1.019	-.457	.014
CEOtenure	.384	.046	-.850	.115
Transactional	-.633	.481	-.196	-.716
Transformational	.775	.119	.199	-.689
ROA	-.579	-.831	.808	-.505
ROE	.817	.558	.591	.865

Source: Study Result

Latent factor 1 in Table 4 indicates that all variables significantly explained the relationship in the model except CEO age whose covariance is below 0.3. Latent factor 2 in Table 4 indicates that CEO age whose covariance is highest can explain the relationship in the model. The interpretation of the results is as follows:

(1) The highest positive coefficient of dependent variables ROE (0.817) in latent factor 1 is associated with the highest positive coefficient of independent variable Transformational (0.775). Hypothesis 1b is supported.

(2) The highest negative coefficient of dependent variable ROA (-.579) in latent factor 1 is associated with the highest negative coefficient of independent variable Transactional (-0.633). Hypothesis 2b is supported.

(3) The second highest positive coefficient of independent variable CEO tenure (0.393) in latent factor 1 is associated with the highest positive coefficient of dependent variable ROE (0.817). Hypothesis 3 is supported.

(4) The highest negative coefficient of dependent variable ROA (-0.147) in latent factor 2 is associated with the highest negative coefficient of independent variable CEO age (-0.952). Hypothesis 4 is supported.

DISCUSSION

In sum, the transformational and longer tenure leader who strives for the followers' solidarity to attain a ROE performance goal is associated with power and affiliation motives. Conversely, the transactional and older leader who strives for the ROA performance is associated with achievement motive.

An argument can be made that both assets and equities are equally key factors in developing companies in short term and long term plans. If longer tenure hotel CEOs would only focus on increasing assets, their hotels could not prosper. It might be also true that too narrow focus on equities could slow up growth, suggesting that high transactional executives should not ignore that aspect of the business brand in their search for higher ROA and high transformational executives should not ignore that aspect of prosperity in their search for higher ROE.

When older CEOs are not be interested in increasing equities and long tenure CEOs would not focus on increasing assets, they both will influence the hotel companies in the long term. The best strategy is switching both leaderships in each stage of company development: Transformational leadership for less structured organization and transactional leadership for well-structured organizations. Bass (1998) supports that transformational and transactional leadership are not separate concepts. He suggested that the best leader should possess both transformational and transactional skill. It may be worthy to state that the order of the leadership styles in the development process of a business; the transactional leaders are necessary in the first stage of a company when they may have taken rapid action to increase short-term profit margins rather than adopting strategies for longer-term profit.

It is possible, for example, that they initiated rapid cost cutting to increase both profit margins, or manipulated equity holdings to produce needed results that might or might not be in the best long-term interest of the firm. In the following stage, the transformational leaders are important in creating customer loyalty by sacrificing company's benefits to the customer's side. Therefore, it is understandable that high transactional leaders focus on short term growth rather than long term growth as high transformational leaders do.

This study attempts to reinforce our findings of relationships between leaders and company performance by collecting and analyzing data over a 10-year period rather than the original three-year period reported in this paper. Unfortunately, however, the limit of financial data and vision statements that were both a very small and several outliers may

have combined to make meaningful comparisons difficult. Research involving a much larger sample of hotel companies might answer this problem or a longer time period might be selected for an historical analysis. It is important to remember that managerial behaviors are far from the only predictors of corporate performance. Threat of new entry, supplier power, threat of substitution, buyer power, economics, technology, and consumers' psychology likely are additional major factors that fill out the predictor equation. Leadership styles and financial performance would be still associated each other along with these contemporary changes.

This is the first effort to extend that method of scoring leadership styles and personal managerial experiences to financial statements. Results tend to support the associations of personality (transformational and transactional leaderships), management (ages and tenure) with accounting (financial statements).

In sum, the study based on four theories: Theory of Agency, Theory of Charismatic, the 3-Needs theory, and the Upper Echelons theory has examined the different strengths of 36 international hospitality brands and CEOs to their financial performance in order to set up a model of financial performance predicted by leadership styles and CEOs' experiences.

Rewarding and managing employees have been proven to be very successful in increasing return on assets whereas four I's (intellectual, inspiration, individual, and influence) are completely fit to developing sales. The findings are consistent with previous research. Per Tran and Phillip (2010), the CEO with high need for achievement--the transactional leader would help companies increase revenue and profit but the CEO with high need for power--the transformational leader--would focus on goodwill for the company.

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Appendix 1

36 Hotel Companies

- (1) Candlewood Hotel Company, Inc. (CNDL)
- (2) Lantern Hotel Group (LTN.AX)
- (3) Hotel Royal Limited (H12.SI)
- (4) Sotherly Hotels Inc. (SOHO)
- (5) Morgans Hotel Group Co. (MHGC)
- (6) Red Lion Hotels Corporation (RLH)
- (7) American Hotel Income Properties REIT LP (AHOTF)
- (8) Summit Hotel Properties (INN)
- (9) Gandhinagar Enterprise Limited (GANDHHO.BO)
- (10) Sunstone Hotel Investors Inc. (SHO)
- (11) Host Hotels & Resorts, Inc. (HST)
- (12) Xenia Hotels & Resorts, Inc. (XHR)
- (13) Viceroy Hotels Ltd. (VICEROY.NS)
- (14) Hospitality Properties Trust (HFT)
- (15) Hilton (HLT)
- (16) Sotherly Hotels LP (SOHOL)
- (17) LaSalle Hotel Properties (LHO)
- (18) Rezidor Hotel Group AB (REZT.ST)
- (19) Intercontinental Hotels Group plc (IHG)
- (20) Hotelim Societe Anonyme (MLHOT.PA)
- (21) Homeinns Hotel Group (HMIN)
- (22) Marriott (MAR)
- (23) Choice Hotels International Inc. (CHH)
- (24) Hyatt Hotels Corporation (H)
- (25) Rackspace Hosting Inc (RAX)
- (26) Peel Hotels Plc (PHO)
- (27) Scandic Hotels Group AB (SHOT.ST)
- (28) The Indian Hotels Company Limited (INDHOTEL.NS)
- (29) Starwood Hotels & Resorts Worldwide Inc. (HOT)
- (30) TAJGVK Hotels & Resorts Limited (TAJGVK.BO)
- (31) Pebblebrook Hotel Trust (PEB)
- (32) Elegant Hotels Group Plc (EHG.L)
- (33) PPHE Hotel Group Limited (PPH.L)
- (34) Sinclairs Hotels Limited (SINCLAIR.BO)
- (35) Millennium & Copthorne Hotels plc (MLC.L)
- (36) RAX (Rackspace Hosting, Inc.)

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