

THE LEADERSHIP CHALLENGE **research**

THE MOST TRUSTED SOURCE ON BECOMING A BETTER LEADER

TITLE	Leadership, Corporate Culture and Financial Performance
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OBJECTIVE	The purpose of the study was to explore the relationship between leadership, culture and financial performance.

METHODOLOGY

The respondents consisted of a convenience sample of 649 company heads of the Human Resources or Organizational Development business units from 94 corporations (minimum of sales of \$300 million), representing 23 different industries. Transformational leadership was assessed by using 10 items from the Leadership Practices Inventory -Observer (Cronbach alpha was .95). Change leadership practices, change readiness and adaptive culture were researcher-created measures. Long-term financial performance, as the dependent variable, was measured using net income growth and income growth index over an 11-year period (consistent with methodology used by Kotter & Heskett, 1992).

KEY FINDINGS

There was a positive and significant relationship between transformational leadership and long-term net income growth.

“These results indicate that for participating companies that when there is a strong presence of transformational leadership practices in the company there are also long term, positive financial results” (p. 54). In summary, the author reports: “Companies reporting higher levels of transformational leadership practices are positively associated with long term income growth (p. 62). “This study provides a modest, but important result of testing the LPI against long term company performance at the enterprise level” (p. 65-66).