

# THE LEADERSHIP CHALLENGE **research**

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THE MOST TRUSTED SOURCE ON BECOMING A BETTER LEADER

**TITLE** A Study of the Relationship Between Corporate Leaders' Beliefs and the Firm's Strategic Decisions

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**OBJECTIVE** The purpose of this study was to test the relationship between corporate leadership and changes in the firm's net income and revenue.

## **METHODOLOGY**

The top 100 companies doing business in Florida were invited to participate, of which 77 senior managers from 62 companies responded. The typical respondent was male (87%), with at least a college education (93%), having 15 years or more of managerial experience (84%) and working for a nationwide-based company. The respondents completed the Managerial Philosophies Scale (MacGregor, 1960) and the Leadership Practices Inventory, along with answering 20 open-ended survey questions. "The results of the instruments' validity and reliability showed acceptable internal consistency and a congruence with the existing literature" (p. 192).

## **KEY FINDINGS**

Confirmatory factor analysis revealed that the "variables mapped to each of the specific behaviors defined by Kouzes and Posner's leadership model (p. 94)...Using the split half model which correlated the items between the parts of a scale split into two forms, the Cronbach's alpha scores of .91 and .93 confirmed the internal consistency of the Leadership Practices Inventory (LPI) instrument because the scores exceeded the threshold of .70" (p. 161). Statistically significant correlations were found between four of the five leadership practices (Model, Inspire, Enable and Encourage) and changes in the firm's net income. Statistically significant correlations were found between four of the five leadership practices (Inspire, Challenge, Enable and Encourage) and changes in the firm's revenue growth.