

Leadership style in national oil corporation



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CHAPTER ONE

INTRODUCTION

1. 1 Background of the study

Libya is a member of the Organization of Petroleum Exporting Countries (OPEC) and holds the largest proven oil reserves in Africa. Libya has attracted hydrocarbon exploration since 1956, when the first wildcat oil well was drilled onshore in the Sirte Basin. Libya granted multiple concessions to Esso, Mobil, Texas Gulf, and others, resulting in major oil discoveries by 1959. The government dominates Libya's economy through control of oil resources, which account for approximately 95% of export earnings, 75% of government receipts, and over 50% of GDP. The National Oil Corporation was established in 1970. It dominates Libya's oil industry, along with a number of smaller subsidiaries, which combined account for around half of the country's oil output. Figure 1. 1the map of Libya describes Gas Pipeline, Oil Pipeline, Oil Field, Liquefied Gas Planet Oil Terminal (Oil Exporting harbor) and Petroleum refining which owned and controlled by National Oil Corporation in Libya.

National Oil Corporation is carrying out exploration and production operations through its own affiliated companies, or in participation with other companies under service contracts or any other kind of petroleum investment agreements. This is in addition to marketing operations of oil and gas, locally and abroad. NOC has its own fully owned companies which carry out exploration, development and production operations, in addition to local and international marketing companies. NOC also has participation agreements with specialized international companies. Such agreements

have developed into exploration and production sharing agreements, in accordance with the development of the international oil and gas industry, and international petroleum marketing. The National Oil Corporation of Libya (NOC) is a state-owned company that controls Libya's oil and gas production. The company is the biggest oil producer in Africa. Its mandate was to endeavor to promote the Libyan economy by undertaking development, management and exploitation of oil resources as well as by participating in planning and executing the general oil policy of the state.

The Brega Petroleum Marketing Company, a subsidiary of NOC, was set up to carry out the marketing activities of NOC, and the marketing assets of all the foreign oil companies were nationalized. A point of that during the past four decades, the impact of leadership styles on organizational performance has been a topic of interest among academics and practitioners working in the area of leadership (Darwish, 1998; Sadler, 2003; Rowe et al., 2005; Gadot, 2007; Yiing, and Zaman Ahmad, 2009). The researcher would like to examine how leadership style influences organization performance in Libya in (NOC). Rowe et al (2005) pointed out that the most prominent reason for this interest is the widespread belief that leadership can affect organizations performance (Jing and Avery, 2008).

In addition, the creation of a state-owned oil company allowed Libya to follow in the footsteps of other oil-producing economies, where control of such a revenue-generating resource lay with the government. Soon after its establishment, NOC signed a joint venture agreement with the U. S. Occidental Petroleum involving production-sharing. In 1971, NOC arranged a processing deal with Sincat of Italy for refining oil products for domestic

consumption, thereby providing a cheap supply of oil for internal Libyan consumption. A joint drilling company was formed with Saipem, a subsidiary of the Italian ENI, in early 1972. By April 1974, production-sharing agreements had been reached with Exxon, Mobil, Compagnie Française des Pétroles, Elf Aquitaine, and Agip. By using the surplus funds and technical expertise of the foreign oil companies, the problem of stimulating investment in exploration was resolved. In 1980, the Libyan Arabian Gulf Oil Company (Agoco) was established by NOC through the amalgamation of the Arabian Gulf Exploration Company, Umm-al-Jawabi Oil Company, and direct NOC exploration and production interests. NOC continued to make production-sharing agreements. In 2004, NOC's estimated crude oil output was 1.623 million barrels per day. The company hoped to raise its production to two million barrels per day by 2007. Figure 1.2 below shows the revenue of National Oil Corporation in Libya from (1999 to 2009).

This study set out to investigate whether there is an interrelation between transformational leadership style and organizational culture, and the effect of organizational culture on the relationship between transformational leadership style with organizational commitment and job satisfaction in the National Oil Corporation in Libya. In particular, our knowledge would benefit from an understanding of how leadership and organizational culture affect job satisfaction and organizational commitment. The study examines Libya National Oil Corporation in relation to leadership style in the organization. Thus, the study also would like to explore an organizational culture of the National Oil Corporation and finally how does leadership style in particular

transformational leadership style may influence the National Oil Corporation progresses.

The subject of leadership is interesting for many researchers. In addition, the continued search for good leaders has resulted in the development of many leadership theories (Mosadegh and Yarmohammadian, 2006). According to Oluseyi and Ayo (2009) Leadership is a central feature of organizational performance. This is an essential part of management activities of people and directing their efforts towards the goals and objectives of the organization. There must be an appropriate form of behavior to enhance performance. Leadership might be viewed in terms of the role of the leaders and their ability to achieve effective performance from others. In recent years, leadership has been studied in various ways, depending on the researchers' methodological preferences and definition of leadership (Chen, 2002; Reuvers, et al., 2008; Gadot, 2007).

Oluseyi and Ayo (2009) defined Leadership as the moral and intellectual ability to visualize and work for what is best for the company and its employees. Good management and effective leadership help to develop team work and the integration of individual and group goals. On the other hand, Kenny and Zaccaro (1983) suggested that leaders to be successful need a behavioral repertoire and the ability to select the right role for the situation. To do this, leaders need both cognitive and behavioral complexity and flexibility a leader needs the ability to perceive the needs and goals of a constituency and the ability to adjust one's personal approach to group action (Leban and Zulauf 2004).

Therefore, Mosadeghrad et al (2006) pointed out that while there are several styles of leadership such as: autocratic, bureaucratic, laissez-faire, charismatic, democratic, participative, situational, transactional, and transformational leadership. Not everyone agrees that a particular style of leadership will result in the most effective form of organizational behavior. Different styles were needed for different situations and each leader needed to know when to exhibit a particular approach. No one leadership style is ideal for every situation, since a leader may have knowledge and skills to act effectively in one situation but may not emerge as effectively in a different situation.

In contrast, Darwish (1998) pointed out that there is wide disagreement among scholars with regard to effective leadership style. For instance, Brozik (1994) argues that no one type of leadership style is the best in all situations. The leader, subordinates and the environment or the task determine the effectiveness or ineffectiveness of each style Kur (1995) believes that effectiveness in leading is directly related to the leader's way of thinking about him, subordinates, organization and environment. Likert (1977) argue that the participative style is more productive in any culture.

In the last three decades many scholars had received increasing attention to two new paradigms called transformational leadership and transactional leadership where the interests of the study are. It added a new dimension to organizational studies, namely the visionary aspect of leadership and the emotional involvement of employees within an organization. The basic notion is that a visionary leader can create an impression that he has high competence and a vision to achieve success (Jing and Avery, 2008).

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According to Bass (1985) developed a theory of visionary or transformational leadership whereby the leader inspires and activates subordinates to perform beyond normal expectations (Jing and Avery, 2008). The study would like to examine this in National Oil Corporation in Libya.

On other hand, Lowe et al., (1996) pointed out that there are four dimensions of transformational leadership style such as: Idealized influence or charisma, inspirational motivation, intellectual stimulation, and individualized consideration. (Bass et al., 2003; Piccolo and Colquitt, 2006), defined these dimensions for transformational leadership as follows:

1. Idealized influence or Charisma is the degree to which leaders behave in such a charismatic way that followers identify with them.
2. Inspirational motivation is the degree to which leaders articulate visions for the future that appeal to followers.
3. Intellectual stimulation is the degree to which leaders challenge assumptions, take risks, and solicit followers' ideas.
4. Individualized consideration is the degree to which leaders attend to followers' needs, act as mentors or coaches, and listen to followers' concerns.

Bass, (1985), Burns (1978) Leadership is considered a factor that has a major influence on the performance of organizations, managers and employees. More recently, researchers have focused mainly on the subordinates' perspective and proposed two main facets of leadership transactional and transformational. This theory suggests that transformational leadership, more than transactional leadership, has a

stronger positive effect on employees' attitudes towards their job, their job environment, and ultimately affects their work performance.

Oluseyi and Ayo (2009) pointed out that leadership is a central feature of organizational performance. This is an essential part of management activities of people and directing their efforts towards the goals and objectives of the organization. There must be an appropriate form of behavior to enhance performance. Leadership might be viewed in terms of the role of the leaders and their ability to achieve effective performance from others. On the other hand, Xenikou and Simosi (2006) suggested that organizational culture and transformational leadership have been theoretically and empirically linked to organizational effectiveness. During the 1990s a number of comparative studies on the culture-performance link showed that certain culture orientations are conducive to performance.

Lok and Crawford (2004) pointed out that organizational culture can influence how people set personal and professional goals, perform tasks and administer resources to achieve them. Organizational culture affects the way in which people consciously and subconsciously think make decisions and ultimately the way in which they perceive. While other researchers has suggested that organizational culture can exert considerable influence in organizations particularly in areas such as performance and commitment.

Bass (1985) said that transformational leaders frequently change their organization's culture with a new vision and revision of its shared assumptions values and norms. In a transformational culture, there is generally a sense of purpose and a feeling of family. Superiors feel a

personal obligation to help new members assimilate into the culture.

Assumptions, norms, and values do not preclude individuals from pursuing their own goals and rewards. In addition, Bass (1985) mentioned that transformational qualities lead to performance beyond expectations in organizational settings. A study of Ogbonna and Harris (2000) organizational culture and leadership finds that the two areas have been independently linked to organizational performance.

A little critical research attention has been devoted to understand the links between the leadership and culture also and the impact that such an association might have on organizational performance (Ogbonna and Harris, 2000). Organizational commitment is an important employee attribute from the organization's perspective. Several studies have found relationships between high-commitment human resource policies and positive organizational outcomes such as productivity, quality, and profitability (Perryer and Jordan 2005).

Organizational commitment has been studied in relation to employee performance there is still considerable controversy surrounding the precise nature of the relationship. While there is some evidence to suggest that organizational commitment is a mediating variable between leadership and performance. Consequently, studies that examine the complex relationships and interaction between these variables will be of value to management theorists and practitioners.

Lok and Crawford (2004) said that organizational commitment and job satisfaction have received significant attention in studies of the work place.

This is due to the general recognition that these variables can be the major determinants of organizational performance and effectiveness. A numerous of studies in the area of job satisfaction and organizational commitment have been asserted that leadership and organizational culture have significant impact on both job satisfaction and organizational commitment (Chen and Francesco, 2000; Mathieu and Zajac, 1990; Williams and Hazer, 1986).

Lok and Crawford (2004) had the same result in his research which has been done to make comparative between Hong Kong and Australian managers the result confirms that organizational culture and leadership styles are important organizational antecedents of job satisfaction and commitment. However, the influence of national culture on leadership styles, organizational culture and their subsequent effects on employee's job satisfaction and organizational commitment were not explored intensively enough in National Oil Corporation in Libya.

To choose National Oil Corporation in Libya for the current study because Libya is a member of the Organization of Petroleum Exporting Countries (OPEC). It holds the largest proven oil reserves in Africa which make it as one of the most important oil-producing countries in Africa and in the world. Therefore, petroleum sector in Libya is very important sector which is like the backbone of Libyan economy. In this context, National Oil Corporation of Libya (NOC) is a state-owned company that controls Libya's oil and gas production. The company is the biggest oil producer in Africa. Its mandate was to endeavor to promote the Libyan economy by undertaking development, management and exploitation of oil resources as well as by participating in planning and executing the general oil policy of the state.

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In additionally, the study expected to offer some useful information of leadership style in National Oil Corporation in Libya, and hopes that this useful information can help to contribute building knowledge and an understanding in this filed in National Oil Corporation in Libya.

1. 2 Purpose of Research Study

The purpose of this study is to explore the relationship between transformational leadership, organizational culture, with job satisfaction and organizational commitment in National Oil Corporation in Libya. Cameron and Quinn (1999) pointed out that numerous studies report the most frequent reason given for the failure of planned organizational change was due to a neglect of the organizational culture.

According to Schneider (2000) Organizational culture is a key to organizational success, and effective leadership is the means by which the culture is created and managed. Understanding organizational culture is an important activity for managers because it affects strategic development, productivity and learning at all levels of management (Twati and Gammack, 2006).

The relationship between transformational leadership style and organizational culture was examined by some researchers such as Xenikou and Simosi (2006), who asserted in his study that organizational culture had direct impact on organization performance while transformational leadership had indirect positive influence on performance through its impact achievement orientation. This study showed that organizational culture mediates the effect of transformational leadership on performance.

Therefore, the purpose of the study is to accept or reject the suppositions that there is a relationship between transformational leadership style organizational culture with job satisfaction and organization commitment in National Oil Corporation in Libya.

Therefore, Yiing and Bin Ahmad (2009) pointed out that leader's behaviors have positive and significant relationship with organizational commitment. On the other hand, cultures have significant moderating effects on the relationship between leadership behaviors and organizational commitment. However, the main academic purpose of this study is to make a contribution in leadership field behaviors on culture and on organization behavior in the petroleum sector in Libya.

1. 3 Problem Statement

The oil sector is the most important sector in Libya. Libya is one of the most important oil-producing countries in Africa and in the world and that the interest in this sector is very important. Therefore, this sector needs professional's leaders who can achieve all the goals of both employees and organization. An organization short on capital can borrow money, and one with a poor location can move. But an organization short on leadership has little chance for survival (Darwish, 1998). A set of characteristics that help leaders to achieve the plans, programs, policies and strategy that have been developed and the advancement of their respective organizations. The most important of these characteristics experience, decision-making, knowledge and to deal with the environmental variables that may occur both within and outside the organization.

The weakness of these skills and characteristics makes it difficult for leaders to carry out its functions and achieve organizations goals. Therefore, Chen (2002) found that transformational leadership behaviors have a slightly positive relationship with organizational commitment. While Harris and Mossholder (1996), pointed out that organizational culture stands as the center from which all other factors of human resource management derive. It is believed to influence individuals' attitudes concerning outcomes, such as commitment, motivation, morale, and satisfaction.

In addition, Bass (1985) have mentioned that demonstrates the relationship between leadership and culture by examining the impact of different styles of leadership on culture. He argues that transformational leaders frequently work towards changing the organizational culture in line with their vision. Similarly, Brown (1992) observes that good leaders need to develop the skills that enable them to alter aspects of their culture in order to improve their organizational performance.

The leaders of National Oil Corporation have to know that organizational culture, organization commitment and job satisfaction are very important factors can help them to achieve the goals of the organization, and these variables enhance organization performance. In short, and based to what has been mentioned above, this study is trying to clarify the relationship between transformational leadership style organizational culture with job satisfaction and organizational commitment in National Oil Corporation in Libya. Which the researcher believes it does not exist in Libya National Oil Corporation. Specifically, the relationship between transformational leadership style organizational culture with job satisfaction and

organizational commitment and how organizational culture effect the relationship between transformational leadership style with organizational commitment and job satisfaction in National Oil Corporation in Libya.

The research questions are as follows:

1. Is there any relationship between transformational leadership style organizational commitment (affective, normative and continuance) in National Oil Corporation in Libya?
2. Is there any relationship between transformational leadership style job satisfaction in National Oil Corporation in Libya?
3. Is there any relationship between transformational leadership style with organizational culture (Clan, Market, hierarchy and adhocracy) in National Oil Corporation in Libya?
4. Does Organizational culture (Clan, Market, hierarchy and adhocracy) have any effect on the relationship between transformational leadership style with organizational commitment (affective, normative and continuance) in National Oil Corporation in Libya?
5. Does Organizational culture (Clan, Market, hierarchy and adhocracy) have any effect on the relationship between transformational leadership style with job satisfaction in National Oil Corporation in Libya?
6. Is there any relationship between organizational commitment (affective, normative and continuance) with job satisfaction in National Oil Corporation in Libya?

1. 4 Focus and Research Objectives

The overall objective of this study is to examine the role of leadership style in the National Oil Corporation in Libya. The specific objective in this study is to clarify the relationship between transformational leadership style with job satisfaction and organizational commitment while organizational culture is the mediate variable in the National Oil Corporation in Libya. The study expected to offer some useful information of leadership style in oil sector in Libya, and hopes that this useful information can help to contribute building knowledge and an understanding in this filed in National Oil Corporation in Libya.

The breakdown of these objectives yields the following specific objectives:

1. To determine the nature of the relationship between transformational leadership style with organizational commitment (affective, normative and continuance) in National Oil Corporation in Libya.
2. To determine the nature of the relationship between transformational leadership style with job satisfaction in National Oil Corporation in Libya.
3. To determine the nature of the relationship between transformational leadership style with organizational culture (Clan, Market, hierarchy and adhocracy) in National Oil Corporation in Libya.
4. To determine the effect of organizational culture (Clan, Market, hierarchy and adhocracy) on the relationship between transformational leadership style with organizational commitment (affective, normative and continuance) in National Oil Corporation in Libya.

5. To determine the effect of organizational culture (Clan, Market, hierarchy and adhocracy) on the relationship between transformational leadership style with job satisfaction in National Oil Corporation in Libya.
6. To determine the nature of the relationship between organizational commitment (affective, normative and continuance) with job satisfaction in National Oil Corporation in Libya.

1. 5 Rationale of Study

Previous studies have examined the link between leadership paradigms and behaviors and have shown a positive relationship, none has explained the nature of this connection, and therefore, how and why leadership affects performance. Future research needs to address this deficiency. In sum, based on the above discussion, there are many problems and gaps in existing studies of the leadership performance relationship that need to be addressed before a clear picture of this relationship can be drawn (Jing and Avery, 2008).

Therefore, the aim of this study is to investigate the relationship between transformational leadership, organizational culture with job satisfaction and organizational commitment in the Notional Oil Corporation in Libya.

Therefore, the topic of leadership is very important to the organization performance and the entire petroleum sector. Leaders can set the direction of the organization and it is very significance issue can lead the organization to achieve their goals.

To do this study in the Notional Oil Corporation in Libya because Libya is the one of the (OPEC) organization and this sector is very important which is like <https://assignbuster.com/leadership-style-in-national-oil-corporation/>

the backbone of Libyan economy. Therefore, organization culture influences organization performance and also the employees. Organization culture influence perceptions of employees towards investors of technology transfer. Additionally, try to add useful information to improve our knowledge for this field in Libya.

1. 6 Significance of Study

This study is important for several reasons, to make a positive view of transformational leadership style in the National Oil Corporation in Libya. To clarify the problems and barriers encountered in application of transformational leadership style programs in the National Oil Corporation in Libya in the context to the case included in this study.

In addition, to clarify the role of leadership to improve organization performance in the National Oil Corporation in Libya and to what extent this leadership succeeded to achieve organizations goals. On the other hand, this study is an attempt to participate in and contribute to research resulting in knowledge increases. Assist scholars, and other researches in leadership field.

The researcher achieved that the leadership style and organizational culture play a significant role to effect organizational commitment and job satisfaction in National Oil Corporation in Libya. In particular, how transformational leadership style and organizational culture can impact organizational commitment and job satisfaction in National Oil Corporation in Libya. Finally, the researcher achieved the nature of the relationship between all these concepts such as transformational leadership style,

organizational culture, job satisfaction and organizational commitment in National Oil Corporation in Libya.

1. 7 Definition of Terms

1. 7. 1 Leadership

Leadership, like most other concepts in social sciences, has no single or unique definition. It has been defined differently by different authors.

Leadership is defined as “ the process of influencing employees to work toward the achievement of objectives.” While others defined leadership as a management function, which is mostly directed towards people and social interaction, as well as the process of influencing people so that they will achieve the goals of the organization.

1. 7. 2 Leadership Style

Leadership style is the way to understand why leaders, faced with seemingly identical situations, use such different decision processes. Leadership style can be viewed as a series of managerial attitudes, behaviors, characteristics and skills based on individual and organizational values, leadership interests and reliability of employees in different situations. In the other meaning, it is the ability of a leader to influence subordinates to performing at their highest capability.

1. 7. 3 Transformational leadership

Transformational leadership is grooms followers into future leaders by giving them freedom to control their behavior, elevates followers’ concerns from physical to psychological needs, inspires subordinates to consider group rather than self interests, and communicates desired outcomes to let

subordinates perceive changes as worthwhile". While others said that transformational leadership, the leader motivates followers by inspiring them, setting challenges and motivating personal development.

Transformational leadership encourages the achievement of high collective standards, through a sense of purpose and a common mission and vision.

1. 7. 4 Organizational culture

Organizational culture as a series of values, the measure of culture focuses on values, whereas definitions of culture which focus on artifacts lead to measures which focus on organizational creations. Organizational culture is the personality of the organization, which comprises of assumptions, values, norms and artifacts of organization members and their behaviors.

Organizational culture can be looked at as a system based on the company's value and norms, and organizational behaviors such as its technologies, strategies, products, services and appearance. Organizational culture has been seen as holistic, traditionally decided, and socially built. Culture involves beliefs, values and behavior, exists at a various levels, and manifests itself in a wide range of characteristics of organizational life.

1. 7. 5 Organizational commitment

The word " commitment" is the strength of an individual's identification with and involvement in a particular organization. Some researchers explained that commitment has three major components: a strong belief in and acceptance of the organization's goals and values; a willingness to exert considerable effort on behalf of the organization; and a definite desire to maintain organizational membership.

1. 7. 6 Job Satisfaction

Some definitions of job satisfaction focus on the job itself, while others included all the job-related factors. Some researchers have defined satisfaction as positive feeling or aggressive responses; whereas others defined it as the gap between expected gains and the actual gain. Furthermore, satisfied employees have also been shown to exhibit lower levels of absenteeism and higher levels of motivation than their counterparts. In contrast, job satisfaction is generally recognized as a multifaceted construct that includes employee feelings about a variety of both intrinsic and extrinsic job elements. It encompasses specific aspects of satisfaction related to pay, benefits, promotion, work conditions, supervision, organizational practices and relationships with co-workers.

1. 8 Organization of Study

The present study arranged into six chapters as follows: Chapter One is the background of the study, which states the purpose, problem statement and research questions. This includes the rationale and significance of the study. It also describes the focus and objectives of the study, definition of terms and organization of the study. Chapter Two content overview of leadership concept, leadership theories, leadership styles and concentrate to transformational leadership style. This chapter also covers organizational culture, job satisfaction and organization commitment. Studies on transformational leadership style with organizational culture, organizational commitment and job satisfaction, which include findings of previous studies and their relationship with the current research studies.

Chapter Three introduce the research framework and overview, this includes statement of hypothesis. Chapter Four discusses previous research methodologies and the research design. This includes population and sample, which also cover the reliability and validity test of instruments used and the data analysis plan. Chapter Five elaborates on results of the data analysis and hypothesis testing which cover demographic characteristics and statistical analysis. This chapter also describes data analysis for research questions and hypothesis proposition. Chapter Six represents the research findings