



The Role of Transformational Leadership Behaviours' Effects on Corporate Entrepreneurship Behaviours and Financial Performance of Firms

Metin Ocak^{1*}, Alperen Ozturk²

¹Turkish Land Forces, Gallipoli, Çanakkale, Turkey, ²Başkent University, Faculty of Economics and Administrative Sciences, Ankara, Turkey. *Email: metinocak71@hotmail.com

ABSTRACT

This study was conducted in order to determine the relationship between organizational managers' transformational leadership and organizations' corporate entrepreneurial behaviours and the effects of both on financial performance. For this purpose, a hierarchical regression analysis was executed on the data collected from 121 managers who work in some manufacturing industry firms operating in Turkey. Results of the hierarchical regression analysis showed that transformational leadership behaviours of the managers have an effect on the corporate entrepreneurship behaviours and financial performance of the organizations. In addition to this, it was found that corporate entrepreneurship behaviours had significant effects on financial performance of organizations. In this context, the relations revealed of theoretical background are generally supported and findings were discussed in the light of the literature.

Keywords: Transformational Leadership, Corporate Entrepreneurship, Financial Performance, Manufacturing Industry Firms, Hierarchical Regression Analysis

JEL Classifications: L25, L26, M12

1. INTRODUCTION

The prosperity of the world depends on an entrepreneurial economy and corporate entrepreneurship is at the center of activity. Corporate entrepreneurship that has evolved over the last 40 years aims the sustainability of organizations' lives, the ability to maintain sustainable competitive advantage and achievement of high-level performance. It is the summation of innovation, strategic renewal and corporate venturing behaviours of organizations (Dess et al., 1999). Corporate entrepreneurship which is a sine-qua-non for economic growth is a two-way process in organizations and is based on the integration of all efforts, starting from the individual/group level upwards or vice versa. In this realm entrepreneurs have become the heroes of economic development and contemporary enterprises (Sathe, 2003).

The literature on corporate entrepreneurship underlines the importance of the individual to the entrepreneurship process. However, individuals act within a complex organizational

framework that facilitates or limits their actions (Baron, 2002; Covin and Miles, 1999; Sharma and Chrisman, 1999; Eyal and Kark, 2004). Leaders play a vital role in encouraging and supporting the initiatives of individual employees to explore new opportunities, to develop new products or to improve work procedures for the benefit of the organization (Moriano et al., 2011. p. 103). Leadership can be defined as the process of influencing others to understand and agree on what has to be done and how to do it (Hind and Steyn, 2015. p. 12). Therefore, the existence of leadership is vital and essential in order for an organization to remain successful (Shoghi et al., 2013. p. 69) and it is the connection link between organizational and individual goals.

In the literature on leadership, transformational leadership approach has got to the foreground recently. The greatest reason for this is the integration of the values of the leaders and followers unlike other approaches (Jung et al., 2009. p. 586). Along with that, transformational leadership may set the basic conditions for entrepreneurship for many reasons (Moriano et al., 2011. p. 106):

Firstly, transformational leaders develop a clear organizational vision and mechanisms which may support to discover opportunities. Secondly, transformational leaders stimulate their followers to develop new ideas and to question the operating procedures that don't serve the organization's mission and goals anymore. Thirdly, transformational leaders enhance followers' confidence and skills to devise and implement innovative responses to current problems which their organization is facing. Briefly, leadership involves influencing subjects to move towards certain actions, determining the time and scope of these actions whereas entrepreneurship represents the operational translation of symbols and behaviours into actions (Leavy, 1996).

Although leadership and entrepreneurship overlap to some degree which is shown above, the most important mutual point for both variables is that organizational performance is their dependent variable. In some studies it was found that transformational leadership is positive and significantly related to performance (Judge and Piccolo, 2004; Bass et al., 2003; Yammarino and Bass, 1990; Howell and Avolio, 1993; Masi and Cooke, 2000; Jabnoun and Al Rassi, 2005; Bass, 1998; Yukl, 2010; Northouse, 2010; Wang et al., 2011; Aziz et al., 2013). Similarly, positive and significant relationships were identified between corporate entrepreneurship and performance (Wiklund and Shepherd, 2003; 2005; Holt et al., 2007; Jong et al., 2011; Bosma et al., 2012).

Additionally in studies to identify the interaction between Transformational leadership and corporate entrepreneurship some interactions have been detected in the context of sub-dimensions (Eyal and Kark, 2004; Ling et al., 2008; Moriano et al., 2011; Hu et al., 2012; Tipu et al., 2012; Khan et al., 2012; Bakar and Mahmood, 2014; Hind and Steyn, 2015; Sethibe and Steyn, 2015; Sudrajat, 2015; Beh and Shafique, 2016; Rastbin, 2016; Haghighi et al., 2016). Only one study involving all three variables have been found in which corporate entrepreneurship was found to partially mediate the transformational leadership and performance relationship (Bakar and Mahmood, 2014). Unfortunately no study was found covering three variables in a Turkey sampling. These findings illustrate that there is a lack of research that investigates the link between transformational leadership, corporate entrepreneurship and organizational performance.

Therefore, the purpose of this paper is to review systematically the relationship between these strategic variables namely, transformational leadership, corporate entrepreneurship and financial performance. Along this line to determine the effects of both organizational managers' transformational leadership and corporate entrepreneurial behaviours on financial performance, the data collected from some manufacturing industry firms operating in Turkey will be tested. Under the umbrella of this purpose firstly the interaction between corporate entrepreneurship and transformational leadership behaviours, and the impact of both variables on financial performance will be discussed in the light of the literature. Subsequently, the interaction between corporate entrepreneurship and transformational leadership behaviours and the impact of both variables on financial performance will be tested on the data collected from 121 managers who work in some manufacturing industry firms operating in Turkey. Eventually

through findings of the survey; theoretical contributions to all of three variables will be provided and some proposals for manufacturing industry firms operating in Turkey will be made.

2. CONCEPTUAL FRAMEWORK

In order to establish theoretical justification for the hypotheses; the variables of corporate entrepreneurship, transformational leadership and financial performance are discussed below.

2.1. Corporate Entrepreneurship (CE)

When you look at a recent publication on the business world, such as the financial times, New York times or the economist you will certainly find some articles on how important entrepreneurship is for countries and that more entrepreneurial activities are needed for countries' growth and wealth. These articles generally cover successful entrepreneurial stories of individuals or organizations. The literature on entrepreneurship, which started to develop about 200 years ago, initially focused on the definition, characteristics and behaviours of the entrepreneur and it has begun to be considered at the organizational level by change of the focus within the results of the past 40 years. The development of entrepreneurship from individual level to organizational level is an indication of the change in world economic order. In the beginning, the economic order in which many opportunities for individual entrepreneurship existed turned into a market where only established strong organizations and even formed strategic alliances of these organizations can be existing and small players can't enter. In this context, corporate entrepreneurship represents the sum of the behaviours of individuals or groups in an established organization in terms of innovation, new business initiatives and strategic renewal (Stopford and Baden-Fuller, 1994; Sharma and Chrisman, 1999; Guth and Ginsberg, 1990; Theresa et al., 2010; Morris et al., 2011; Bierwerth et al., 2015; Sudrajat, 2015. p. 103). Although corporate entrepreneurship is handled at the organizational level, it refers to the revival of the entrepreneurial actions and behaviours of the individuals/groups in organizations by organizational mechanisms (Sakhdari, 2016. p. 11). Entrepreneurship in established organizations is seen as a part of daily activities of all personnel in organization rather than a certain elite entrepreneurial group (Theresa et al., 2010. p. 6).

The innovation dimension of corporate entrepreneurship can be a new product or service, a managerial system, a new plan or a program (Bloodgood et al., 2015. p. 385). Zahra and Garvis (2000. p. 471) also evaluate innovation commitments of organizations as innovation. The results of innovation in entrepreneurial organizations are uncertain, therefore organizations assume risk.

Corporate venturing focuses on the creation of autonomous or semi-autonomous organizations and departments associated with or unrelated to the activities of the main firm (Sharma and Chrisman, 1999. p. 19). This dimension enables firms to get out of bureaucratic routines and get rid of organizational stagnation (Bierwerth et al., 2015. p. 260). Sometimes, if organizations do not have the necessary resources, they can build alliances with other organizations to benefit opportunities and access resources (Sánchez et al., 2009).

The strategic renewal dimension of corporate entrepreneurship sees both corporate and business strategies as a source of sustainable competitive advantage (Dess et al., 1999. p. 85). Strategic renewal includes interval strategic transformation or stepwise renewal (Agarwal and Helfat, 2009). In other words, it covers the renewal and reorganization of the strategy in a wide range from changing to transformation the main activities of the organizations (Bierwerth et al., 2015. p. 257). Competitive focus on a business area, major changes in marketing and distribution methods, reconsidering product development, reorganizing processes are examples of strategic renewal (Christensen, 2004. p. 305). Similarly, the transition from a low cost strategy of a firm to a differentiation strategy can be considered as an example of strategic renewal.

2.2. Transformational Leadership (TL)

It is very important that senior management of the organization facilitates the development of entrepreneurship in the organization. For this reason, one of the most important elements in the concept of contemporary organizations is leadership. Zahra et al. (2000) proposed that it is necessary to have a strong and development-oriented senior management in terms of corporate entrepreneurship. Similarly, Moriano et al. (2011. p. 103) expressed that transformational leadership has a positive impact on employee entrepreneurial behaviours.

Many studies on leaders and leadership have been done up to now. These studies focused primarily on the definition and specifications of the leader. After realizing this approach was not sufficient enough to explain leadership effectiveness, behavioural leadership theories emerged which focused on the relationship between leaders' behaviours and group performance. After such approaches, there has emerged a contingency approach which advocates that the form of leadership will change according to the situation. Following these three leader-oriented approaches, other approaches also referred to as charismatic or modern leadership approaches have taken the relationship between the leader and the followers as a whole (Çömez, 2007. p. 27). It has been argued by Burns (1978) that the modern leadership approach and process will proceed in two ways: Transformational and transactional leadership. The most important difference between transformational and transactional leadership can be expressed as following (Simola et al., 2010. p. 180): Transactional leaders set the standards to be followed and can punish those who do not follow these standards. Transformational leaders are motivating their employees to do more than what is stated in their employment contract and focus on the higher needs of employees.

The transformational leadership concept was first introduced by Downton (1973) and the theory became known by emphasizing the political aspect and moral values of the leader through the book "Leadership" by political scientist Burns (1978). Burns (1978) attempted to reveal the differences between leader and manager, inspired by Weber's charismatic leadership theory. He intensified his research into the relationship and interaction between leaders and followers. From the middle of the 1980s onwards, Bass (1985) introduced a more advanced and measurable model based on the transformational leadership concept of Burns (1978). Bass (1985)

developed the multiple leadership questionnaire, suggesting that transformational leadership is universally applicable and drawing attention to the needs of followers rather than the needs of the leaders (Brown and Keeping, 2005. p. 246).

Jung et al. (2009. p. 586) asserts that the greatest difference of transformational leadership from other leadership approaches is the integration with followers' values. Transformational leaders drive organizational performance by motivating their followers, combining them with their strategic vision, mission and common goals (Berson and Avolio, 2004. p. 629). Transformational leadership strengthens innovation within the organization and positively affects organizational performance (Osborn and Marion, 2009. p. 192). There is also a link between charismatic leadership and transformational leadership. Rowold and Heinitz (2007. p. 122) say that transformational leadership also includes charismatic leadership. Bass (1985) considered transformational leadership behaviours as primarily three dimensions, namely charismatic leadership, intellectual stimulation and individualized consideration. Bass and Bass (2008) later divided the charismatic leadership factor into two dimensions as inspirational motivation and idealized impact.

Idealized impact dimension implies the idealized influence of the leaders who act as a real model so that their act leads to the manifestation of the desirable behaviours (Shoghi et al., 2013. p. 71). If a leader is transformational, the sense of respect, admiration, loyalty and emphasize on strong commitment to attain the organization goals would be created among the followers (Çömez, 2007. p. 32; Rastbin, 2016. p. 2).

Inspirational motivation dimension describes the leaders who are instilling a consciousness and high expectations into followers around a shared vision and inspiring them to fulfill those expectations (Hind and Steyn, 2015. p. 16). It includes the creation and expression of an attractive vision of the future, the demonstration of optimism and enthusiasm. Leaders who make the followers participate in illustrating the future vision, strengthen their commitment and encourage them to overcome the needed processes (Rastbin, 2016. p. 3; Shoghi et al., 2013. p. 71).

Intellectual stimulation comprises of behaviours that increase awareness of problems and challenge followers to be innovative by questioning assumptions, reframing problems, and approaching old situations in new ways (Moriano et al., 2011. p. 106). Hind and Steyn (2015. p. 16) maintain that stimulation relates to the frequency with which the leader encourages innovation in problem-solving.

Individualized consideration is focusing on follower development by providing support, encouragement and coaching (Ling et al., 2008. p. 557). Transformational leaders help their followers activate their own potential talents in order to increase their accountability in the organization (Rastbin, 2016. p. 3). In other words, the leaders attempt to develop the potential abilities of the individuals (Shoghi et al., 2013. p. 71).

2.3. Financial Performance (FP)

Performance is the end result of an activity (Robbins and Coulter, 2012. p. 492). In other words, performance is the qualitative or

quantitative assessment of all planned efforts and outcomes for achieving objectives (Akman et al., 2008). Performance appraisal is the most important activity of the management control function and it is performed at the level of individual and organization. While performance appraisal at the individual level provides feedback on human resource practices, measuring organizational performance is critical for effective management of organizations. Leaders are concerned with organizational performance because it is the most important indicator that attracts customers today (Al-Swidi and Fadzil, 2014. p. 25).

In the past years, organizational performance has been measured generally through financial measures such as profitability, financial structure (debt/total capital), Tobin's Q (market value/asset value), return on assets, equity change, stock price return, company productivity, cash flow change and equity profitability (Meydan and Basim, 2007; Chiarello et al., 2014). Nowadays serious criticisms are being made to focus on the financial indicators because of the shift from tangible and physical assets to intangible and intellectual assets. For this reason, multi-dimensional performance appraisal methods such as Balanced Scorecard (BSC) (Kaplan and Norton, 1996) have come up. However, financial performance whether traditional or multi-dimensional is in the center of all indicators. Two main approaches are used to measure the financial performance. The first approach is to use subjective scales that compare financial performance with the performances of competitors. The second approach is to use objective scales that are based on precise criteria for organizational performance. In many studies, a high correlation was found between subjective and objective financial performance data (Covin and Slevin, 1991; Venkatraman and Ramanujam, 1986; 1987; Dawes, 1999; Zulkiffli, 2014).

Financial performance is the process of measuring the results of a firm's policies and operations in monetary terms. Financial performance has been measured in many dimensions in researches conducted in the field of corporate entrepreneurship. In this context, growth and profitability by Antoncic and Hisrich (2003), employment/sales growth and profitability by Aaboen et al. (2006), sales growth and market share by Luo et al. (2005), total income, cost of goods sold, total number of employees and tangible assets book value by Sueyoshi et al. (2010). Generally in corporate entrepreneurship surveys often growth and profitability dimensions were used (Lumpkin and Dess, 1996; Antoncic and Hisrich, 2003; Rutherford and Holt, 2004; Ağca and Kandemir, 2008). Similarly, Brinckman et al. (2010) found that profitability and growth were often used as performance dimensions in meta-analysis involving many studies. According to Antoncic and Hisrich (2003), growth is measured by two factors. These are the average annual growth of employment in the last 3 years and the average annual sales growth in the last 3 years. Profitability is assessed by three factors: Annual average return on sales (ROS), annual average return on assets (ROA) and average annual return on equity (ROE).

2.4. Relations between Corporate Entrepreneurship, Transformational Leadership and Financial Performance

A limited number of studies were found containing all three variables. In the first of these, leadership has been found to have a

significant influence on innovation and organizational performance relationship (García-Morales et al., 2008). In the study done by Bakar and Mahmood (2014. p. 109) corporate entrepreneurship was found to partially mediate the relationship between transformational leadership and performance. No study has been found to reveal the interaction of all three variables in the context of sub-dimensions. Below, the studies that have been done within the context of the dual interactions of research variables are presented.

2.5. Relations between Transformational Leadership and Financial Performance

According to Givens (2008. p. 4), leadership is associated with organizational and staff performance. In this context transformational leaders can influence employee behaviour and this in turn has a positive impact on the organization. The theory of transformational leadership states that as an agent of change transformational leaders are able to obtain performance beyond expectations by setting challenging goals to steer and motivate themselves and other members in the group for higher levels of performance (Bakar and Mahmood, 2014. p. 110). There are several studies in the literature that address transformational leadership and financial performance interactions. This findings support the contribution of transformational leadership to increased performance in many organizations (Bass, 1998; Garner and Stough, 2002; Bass et al., 2003; Judge and Piccolo, 2004; Jabnoun and Al Rassi, 2005; Yukl, 2010; Northouse, 2010; Wang et al., 2011; Aziz et al., 2013).

2.6. Relations between Corporate Entrepreneurship and Financial Performance

Corporate entrepreneurship consists of the process where an individual or a group of individuals within an established company create an innovation or a new organization and is involved in the process of wealth creation (Sudrajat, 2015. p. 103). In this direction CE can result in diversified products and markets as well as being instrumental to producing impressive financial results (Bakar and Mahmood, 2014. p. 111). There are several studies in the literature that address corporate entrepreneurship and financial performance interactions. These studies predominantly confirm positive and significant relationships between corporate entrepreneurship and performance (Wiklund and Shepherd, 2003; 2005; Holt et al., 2007; Jong et al., 2011; Bosma et al., 2012; Mahmood and Hanafi, 2013).

2.7. Relations between Transformational Leadership and Corporate Entrepreneurship

The existence of leadership is vital and essential in order to remain successful for an organization. Organizational and individual goals may be weakened and fragmented without leadership. Therefore, transformational leadership as one of the main processes in influencing employees, increasing their devotion, loyalty, excitement and enthusiasm is considered to set the basic conditions for radical entrepreneurial strategies (Eyal and Kark, 2004. p. 217; Shoghi et al., 2013. p. 69). Transformational leaders have strong tendency toward the change and entrepreneurship behaviour in the organization. These leaders follow innovation in their organization (Rastbin, 2016. p. 2). The general consensus among scholars is that transformational leadership style is significantly and positively related to organizational creativity

and innovation which is one of corporate entrepreneurship three sub-dimensions (Hu et al., 2012; Tipu et al., 2012). Eyal and Kark (2004. p. 212) and Ling et al. (2008. p. 569) findings showed a direct link between transformational leadership and corporate entrepreneurship. Consistent with these findings Beh and Shafique, (2016. p. 206) also demonstrate that transformational leadership has positive influence on innovation, new business venturing and corporate entrepreneurship. There are other studies that found positive association of transformational leadership with corporate entrepreneurship (Ling et al., 2008; Yang, 2008; Öncer, 2013).

3. RESEARCH HYPOTHESES

The hypotheses generated in the light of theoretical background are presented below:

- Hypothesis 1: Transformational leadership behaviours of managers have a significant impact on the financial performance of organizations in the context of sub-dimensions.
- Hypothesis 2: Corporate entrepreneurship behaviours have a significant impact on financial performance of organizations in the context of sub-dimensions.
- Hypothesis 3: Transformational leadership behaviours of managers have a significant impact on corporate entrepreneurship behaviours of organizations in the context of sub-dimensions.

4. METHODOLOGY

The research population, sample of the study, data collection tools, validity, reliability and applied statistical methods are explained in the scope of the methodology.

4.1. Sample

The research population consists of 44530 different manufacturing industry firms operating in Turkey which their mail addresses can be reached. The research was carried out on manufacturing industry firms in Turkey; because they have demonstrated superior performance in terms of many criteria varying from production to sales. The success of these organizations operating in a highly competitive environment depends on the establishment of appropriate strategies and the behaviour of corporate entrepreneurship in accordance with their strategies.

The sample of the research is 121 different companies randomly selected from 44530 member firms to represent the research population. In the study, data was collected through electronic questionnaire form 121 managers working in these firms. Sampling method of our research is convenience sampling method. As a method of collecting the data, the questionnaires were sent to all firms with specific time intervals and 128 of the electronic questionnaire forms were taken back. Data of 7 managers who did not respond to the questions in the questionnaire or collected the marks in the upper or lower values were extracted from the analysis and the analysis was continued through a sample of 121. Yazicioğlu and Erdoğan (2004) stated that a population of about 50,000 people can be represented by a sample consisting of 96 individuals with a 0.95 reliability and a sample error of 0.10. In this context, it can be said that the research sample (121 > 96) is

sufficient. The demographic information of the firms and managers participating in the survey are presented in Table 1.

Taking all figures related to surveyed firms and their managers into overall consideration, the sample is considered to represent manufacturing industry firms operating in Turkey.

4.2. Instruments

Survey technique was used in the research. In this context a 5-point Likert-type Corporate Entrepreneurship Scale developed by Zahra (1996) which consists of three dimensions (Innovation, corporate venturing and strategic renewal) and 14 items was used to find out corporate entrepreneurship behaviours of firms during last 3 years. Transformational Leadership four dimensions (Idealized impact, inspirational motivation, intellectual stimulation, individualized consideration) were measured through a 5-point Likert-type multi-factor leadership scale with 16 items developed by Bass and Avolio (1992). In order to measure financial performance, a 5-point Likert-type financial performance scale consisting of two dimensions (profitability and growth) and 6 items developed by Antoncic and Hisrich (2001) was used.

4.3. Validity and Reliability

In our study for validity and reliability of the scales, confirmatory factor analysis (CFA) and reliability analysis were applied. Four models were tested in CFA. For all three scales, the first level multi-factor models showed a better fit than the other models. Although the Chi-square value was expected to be insignificant for goodness of fit of model, it was found to be significant (Meydan and Şeşen, 2011). Sample size is interpreted as the reason for the significance of the Chi-square value in the analysis (Ayyıldız and Cengiz, 2006). CFA results of the three variables are presented in Table 2.

Table 1: Sample demographic information

Demographic variables	Category	Score (%)
Firm size	Small size (1-49 personnel)	56 (46)
	Medium size (50-249 personnel)	33 (27)
	Large size (>250 personnel)	32 (27)
Age	1-10 years	25 (21)
	11-20 years	8 (7)
	21-30 years	64 (53)
	Over 31 years	24 (20)
Position of managers	CEO/executive CEO	48 (40)
	General Manager/ Director etc.	40 (33)
	Human resource/ personnel/administrative manager etc.	17 (14)
	Other Managers	16 (13)
Sex	Male	105 (87)
	Female	16 (13)
Tenure at current position	1-4 years	40 (33)
	5-10 years	33 (27)
	11-20 years	32 (27)
	Over 21 years	15 (13)

Table 2: Scale's CFA results

Model	$\Delta\chi^2$	sd	$\Delta\chi^2/sd$	RMSEA	CFI	GF-I	AGFI	RMR
CE first level multi-factor model	93.6*	56	1.67	0.05	0.92	0.92	0.90	0.06
TL first level multi-factor model	123.60*	64	1.93	0.04	0.98	0.96	0.93	0.05
FP first level multi-factor model	52.14*	18	2.89	0.05	0.94	0.94	0.92	0.06

*P<0.01. RMSEA: Root mean square error of approximation, CFI: Comparative fit index, GF-I: Goodness of fit index, AGFI: Adjusted goodness of fit index, RMR: Root mean square residual, sd: Degree of freedom

As a result of the reliability analysis of the CE, the reliability scores obtained for dimensions (Cronbach alpha) were 0.92; 0.79 and 0.85 for a total of 0.93. The reliability scores of the TL were 0.91; 0.81; 0.78 for sub-dimensions and 0.93 for the total of the scale. The reliability scores of the FP were calculated as 0.95 and 0.76 for the sub-dimensions and 0.91 for the sum of the scale.

4.4. Statistical Methods

The data was analyzed through IBM SPSS (21.0) and AMOS (21.0) programs. Firstly, within the scope of descriptive statistics of all variables, averages, standard deviations and range of points are examined at the level of each dimension. Pearson correlations were calculated to determine the relationship between dependent and independent variables. Hierarchical regression analysis was used to find the power of explanation for independent variables on dependent variables.

4.5. Limitations of Study

Undoubtedly, the research done has some limitations. The first limitation can be derived from cross-sectional collected data at one time and with a single questionnaire. Secondly the findings of the research are limited to the 121 manufacturing firms operating in Turkey from which the data were collected. Therefore, the results of the research may vary according to the sample. Thirdly, the scales used in the research composed of evaluation items for the firms and were directed to the managers in the organizations. In this realm collected data is based on the perception of the managers. Therefore, when evaluating the results, possible social desirability effect and common method variance tendency should be taken into consideration because all variables are answered at the same time and by the same persons. Despite some limitations in determining whether there is a tendency for the common method variance, one of the most widely used methods is Harman's one-factor test. According to Harman's one-factor test if only one factor emerges from the factor analysis and this factor accounts for all of the variance, it might be reasonable to conclude that common method variance is a major problem (Podsakoff et al., 2003. p. 889). In this context, a total of 36 items used to measure the research variables were subjected to factor analysis. As a result of the analysis, a total of nine dimensions were determined whose eigenvalues were higher than 1. Nine dimensions accounted for 81% of the total variance, while the first dimension accounts for at most 33% of the total variance and the remaining eight dimensions account for 48% of the total variance. Accordingly, these findings indicate that there is no problem of common method variance in the study.

5. FINDINGS

Table 3 provides descriptive statistics on the transformational leadership, corporate entrepreneurship and financial performance

Table 3: Variables' descriptive statistics

Variable	Total	Min.	Max.	Mean±SD
Transformational leadership				
Idealized impact	121	1	5	3.06±0.44
Inspirational motivation	121	1	5	3.17±0.58
Intellectual stimulation	121	1	5	2.92±0.55
Individualized consideration	121	1	5	3.10±0.49
Corporate entrepreneurship				
Innovation	121	1	5	3.34±0.99
Corporate venturing	121	1	5	2.68±0.63
Strategic renewal	121	1	5	3.42±0.96
Financial performance				
Profitability	121	1	5	2.93±0.79
Growth	121	1	5	3.20±0.72

SD: Standard deviation

dimensions.

The calculated Pearson correlation matrix is shown in Table 4 in order to reveal the relationship between independent and dependent variables in the study. Before calculating the correlations, averages of the points scored by the managers on the scales were calculated for each organization and this score was taken into consideration.

As a result of the correlation analysis, it has been found that there is a relationship among Idealized impact, inspirational motivation and Individualized consideration dimensions in the same direction and medium level. All of these three dimensions have a relationship with intellectual stimulation dimension in the same direction but relationship level varies from low to medium.

When we look at the relationship between the transformational leadership and corporate entrepreneurship dimensions, a same direction and medium level relationship was found between idealized impact-innovation and idealized impact-strategic renewal dimensions. Similarly same direction and medium level relationship was found between inspirational motivation-innovation and intellectual stimulation-innovation dimensions.

Along this line a positive and low level relationship was found between transformational leadership idealized impact and financial performance profitability dimensions. Additionally a positive and medium level relationship was identified between idealized impact and growth dimensions. Between intellectual stimulation-profitability and intellectual stimulation-growth dimensions a negative and low level relationship was seen.

A positive medium level relationship between innovation-profitability and a positive low level relationship between strategic renewal-profitability were found. Between innovation-growth and

Table 4: Variables' correlation matrix

Dimensions	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Idealized impact	1								
Inspirational motivation	0.44**	1							
Intellectual stimulation	0.21*	0.54**	1						
Individualized consideration	0.64**	0.57**	0.72**	1					
Innovation	0.41**	0.45**	0.27**	0.19*	1				
Corporate venturing	-0.05	0.15	0.15	-0.26	0.14	1			
Strategic renewal	0.21*	0.25**	0.12	0.43	0.58**	0.22*	1		
Profitability	0.57**	0.50**	0.71**	0.51*	0.39**	0.15	0.22*	1	
Growth	0.54**	0.70**	0.58**	0.55**	0.59**	0.01	0.39**	0.62**	1

*P<0.05, **P<0.01

strategic renewal-growth a positive and medium level relation was identified.

Hierarchical regression analysis was carried out with the aim of detecting the direct effects and the explanation power of independent variables on dependent variables. For revealing the effects of independent variables on dependent variables demographic variables were taken under control through adding them in the first step in the hierarchical regression analysis.

In the regression analysis primarily financial performance dimensions are considered as dependent variable. Along with that as dependent variables, demographic variables were included in the analysis in the first step, corporate entrepreneurship dimensions in the second step and transformational leadership dimensions in the third step. Subsequently, corporate entrepreneurship dimensions were considered as dependent variables; demographic variables in the first step, and transformational leadership dimensions in the second step were added in the analysis. Before performing regression analyzes, it was investigated whether there was multicollinearity among the independent variables (Gürbüz and Şahin, 2014). For this purpose, the correlation table was examined and it was seen that correlation coefficients between independent variables did not exceed 0.80 and that the tolerance values of all variables were greater than the value (1-R²).

The hierarchical regression analysis findings in Table 5 show the independent effects of corporate entrepreneurship and transformational leadership dimensions in explaining the financial performance dimensions.

When the findings were examined, it was found that innovation ($\beta = 0,532$; $P < 0.01$) and corporate venturing ($\beta = 0.241$; $P < 0.01$) dimensions together had a significant effect in explaining 19.6% of the variance on the profitability. On the other hand, it has been found that the innovation dimension of corporate entrepreneurship ($\beta = 0.588$; $P < 0.01$) has a significant effect in explaining 36% of the variance on growth. In explaining 36.1% of the variance on profitability the idealized impact ($\beta = 0.289$, $P < 0.01$), intellectual stimulation ($\beta = 0.432$; $P < 0.01$) and individualized consideration ($\beta = 0.259$; $P < 0.01$) have been found to have a significant effect all together. Additionally, it was identified that inspirational motivation ($\beta = 0.205$; $P < 0.01$), intellectual stimulation ($\beta = 0.225$; $P < 0.01$) and individualized consideration ($\beta = 0.169$; $P < 0.01$) have a significant effect in explaining 14.8%

Table 5: Hierarchical regression analysis findings of independent variables predicting financial performance dimensions

Independent variables	Profitability		Growth	
	β	ΔR^2	β	ΔR^2
Demographic variables		0.104		0.304
Position of managers	0.151		0.434**	
Sex	0.007		0.047	
Tenure at current position	-0.217*		-0.179	
ΔF	4.533**		17.073**	
Corporate entrepreneurship		0.196		0.361
Innovation	0.532**		0.588**	
Corporate venturing	0.241**		0.106	
Strategic renewal	-0.252		-0.002	
ΔF	10.669**		40.920**	
Transformational leadership		0.361		0.148
Idealized impact	0.289**		0.039	
Inspirational motivation	-0.018		0.205**	
Intellectual stimulation	0.432**		0.225**	
Individualized consideration	0.259**		0.169**	
ΔF	29.309**		21.729**	

*P<0.05, **P<0.01

of the variance on growth. In this context, when the results of the hierarchical regression analysis in Table 5 are taken into account, the first and second hypotheses are partially supported.

The results of the hierarchical regression analysis showing independent effects of transformational leadership dimensions on corporate entrepreneurship dimensions are presented in Table 6.

When the findings were examined, it was found that the transformational leadership dimensions of idealized impact ($\beta = 0.346$, $P < 0.01$) and inspirational motivation ($\beta = 0.417$, $P < 0.01$) together had significant effects in explaining 33.9% of the variance on the innovation dimension of corporate entrepreneurship. Transformational leadership dimensions were found to have no significant effect on corporate entrepreneurship's ($P > 0.05$) corporate venturing dimension. In explaining 14.3% of the variance on the strategic renewal dimension of corporate entrepreneurship, it was identified that inspirational motivation ($\beta = 0.323$, $P < 0.01$) and idealized impact ($\beta = 0.163$, $P < 0.05$) dimensions had significant effects all together. According to the results of the hierarchical regression analysis obtained in Table 6, the third hypothesis was supported partially because only some significant interactions within transformational leadership and corporate entrepreneurship sub-dimensions (Idealized impact and innovation, inspirational motivation and innovation, idealized

Table 6: Hierarchical regression analysis findings of independent variables predicting corporate entrepreneurship dimensions

Independent variables	Innovation		Corporate venturing		Strategic renewal	
	β	ΔR^2	β	ΔR^2	β	ΔR^2
Demographic variables		0.038		0.144		0.451
Position of managers	-0.128*		-0.431**		0.175*	
Sex	0.013		-0.046		0.645**	
Tenure at current position	0.015		-0.139		0.372**	
ΔF	1.543		6.543**		31.976**	
Transformational leadership		0.339		0.082		0.143
Idealized impact	0.346**		-0.064		0.163*	
Inspirational motivation	0.417**		0.271		0.323**	
Intellectual stimulation	-0.032		0.141		-0.064	
Individualized consideration	0.093		-0.070		0.091	
ΔF	15.399**		2.983*		9.903**	

*P<0.05, **P<0.01

impact and strategic renewal, inspirational motivation and strategic renewal) were detected.

6. DISCUSSION AND CONCLUDING REMARKS

Within the scope of our research sample which consists of 121 manufacturing industry firms in Turkey, we found that four of the transformational leadership dimensions have been applied on the average in the last 3 years. In the dimensions of corporate entrepreneurship behaviours; it has been identified that organizations primarily have focused on their strategies and organizational change, secondly on innovation and subsequent corporate venturing. In the last 3 years, firms have been performing above average in terms of profitability and growth, but they have headed for growth rather than profitability.

In order to demonstrate transformational leadership and corporate entrepreneurship behaviours power to explain financial performance, a hierarchical regression analysis was conducted. The results of this analysis have shown that the dimensions idealized impact, intellectual stimulation, individualized considerations of transformational leadership and corporate entrepreneurship dimensions namely innovation and corporate venturing have had a positive effect on profitability. In addition, it has been determined that the transformational leadership's inspirational motivation, intellectual stimulation, individualized considerations dimensions and corporate entrepreneurship's strategic renewal dimension have a positive effect on the growth performance of firms.

As a result of the hierarchical regression analysis to unveil the effects of transformational leadership on corporate entrepreneurship behaviours, it has been seen that transformational leadership's idealized impact, inspirational motivation dimensions positively have influenced innovation and strategic renewal dimensions of corporate entrepreneurship. There hasn't been realized interaction between corporate venturing and transformational leadership dimensions.

In the context of these results, it has been determined that transformational leadership behaviours influenced organizational entrepreneurship behaviours and financial performance partially positive. Similarly, corporate entrepreneurship behaviours

in organizations have been found to affect partially financial performance positive.

These findings overlap with the findings of previous studies in order to reveal the interactions between transformational leadership-corporate entrepreneurship (Ling et al., 2008; Hu et al., 2012; Tipu et al., 2012; Beh and Shafique, 2016), transformational leadership-financial performance (Bass, 1998; Garner and Stough, 2002; Bass et al., 2003; Judge and Piccolo, 2004; Jabnoun and Al Rassi, 2005; Yukl, 2010; Northouse, 2010; Wang et al., 2011; Aziz et al., 2013) and corporate entrepreneurship-financial performance (Wiklund and Shepherd, 2003; 2005; Holt et al., 2007; Jong et al., 2011; Bosma et al., 2012; Mahmood and Hanafi, 2013) in the literature.

Because of previous rare studies which focused on the interactions among sub-dimensions of three variables, the findings detected in this study will make a significant contribution to the literature. In this context it can be said that, the dimensions of idealized impact and inspirational motivation increase innovation and strategic renewal behaviours in organizations, but only innovation has a positive effect on the profitability and growth performance of the organizations. Strategic renewal behaviours, which were influenced by the transformational leadership behaviours, did not show any contribution to the profitability and growth performance of the organizations. This result shows that an attractive vision with role modeling behaviours of leaders will trigger innovative behaviour of the individuals/groups in the organization and ultimately positively affect financial performance. In addition it is seen that organizations' initiating new business ventures affects the profitability of organizations positively, independent of the effects of transformational leadership behaviours. It has been found that intellectual stimulation and individualized consideration dimensions of transformational leadership directly increase profitability and growth performance of organizations. This result is interpreted as a sign that the leaders of the organization who are able to identify problems, solve them with innovative approaches and bring to the foreground their subordinates' capabilities will make a significant contribution to financial performance.

In conclusion, in our findings, it is seen that transformational leadership behaviours in organizations are the basis for corporate

entrepreneurship behaviours and financial performance. It can also be said that transformational leadership and corporate entrepreneurship behaviours are complementary to each other, as expressed by Hisrich et al. (2013).

In this context, the development of transformational leadership behaviours of responsible managers in organizations will positively contribute to corporate entrepreneurship behaviours and financial performance under the influence of both. For future researches, we suggest to use multi-dimensional performance scales in the evaluation of organizational performance, as well as to address the intermediary effects of corporate entrepreneurship in the interaction of transformational leadership and organizational performance.

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