

Analysis of Laissez-Faire Leadership Practice on Performance of Logistics Industry, Dubai, United Arab Emirates

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Abstract: The modern business environment requires effective leadership practice. Laissez-faire leadership is a delegative practice, that grants employees' autonomy with minimal supervision, assuming they are competent, self-driven specialists. This study examined the impact of laissez-faire leadership practice on Dubai's logistics industry's performance. Using a cross-sectional survey and descriptive research design, primary data was collected via structured questionnaires, while secondary data came from respective companies' websites and reliable online sources. Data analysis involved descriptive and inferential statistics. Linear regression found a statistically significant relationship between laissez-faire leadership practice and performance of Dubai's logistics industry. Key performance indicators included global logistics hub, world-class business infrastructure, and increased international sales. The study concluded that adopting laissez-faire leadership practice significantly enhanced organizational performance in Dubai's logistics sector, reinforcing Dubai's role as a global logistics leader.

Keywords: effective leadership and management; employee autonomy; organizational efficiency; economic growth; logistics industry

JEL Classification: M12, N75, O14, Y40

1. Introduction

Corporate leadership practice that is effective is a crucial factor in managing organizational performance. As Peek (2022) points out, corporate leadership practice is not just a performance metric, but a fundamental principle of management. To achieve high-quality work practices and add value to their industries, corporate managers often adopt tailored corporate leadership practices. To this effect, performance serves as a true reflection of an organization's good corporate leadership practice, as indicated by factors such as profit maximization, waste reduction, high productivity, and

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overall growth, as emphasized by Nash (2016). In short, successful organizations prioritize performance as the key driver of sustainable growth and profitability.

In the realm of corporate leadership, Chandra (2019) characterizes it as the capacity to recognize opportunities and manage risks through effective decision-making. Meanwhile, Jenkins (2020) views performance as the attainment of objectives and events, with a focus on maximizing profit and advancing the overall growth of the organization. For Carragher and Gormley (2017), corporate leadership encompasses a superior management system that guarantees the well-being of the organization with regard to governance, composition, authority, inspiration, mission, and accomplishment of objectives, including satisfying customer needs. Ultimately, successful managers often adopt high-level corporate leadership practices that are congruent with organizational performance, honing their thinking and abilities in this area.

According to Goldman (2013), in the past, scholars and researchers believed that leaders were born and not made. This view held that leaders came from a specific lineage, which accounted for why only one type of leadership practice was dominant. However, subsequent research that examined leaderfollower interactions in actual work settings demonstrated the presence of other systems of management practices (Abiola, 2012).

1.1. Dubai's Logistics Industry

Under the visionary "Dubai Industrial Strategy 2030" led by HH Sheikh Mohammed bin Rashid Al Maktoum, the Vice President and Prime Minister of the UAE and Ruler of Dubai, Dubai aims to position itself as a premier global integrated logistics hub. The strategy focuses on sustainability, innovation, and knowledge-based enterprises, with aerospace and maritime identified as priority subsectors to enhance industrial productivity and elevate Dubai's global standing (The United Arab Emirates' Government Portal, 2021).

The father of UAE, the late HH Sheikh Rashid bin Saeed Al Maktoum, the founding leader who reigned Dubai from 1939, envisioned a shift from relying solely on pearl diving to the shipping industry. When oil exports began in 1969, HH Sheikh Rashid focused on improving the quality of life for his people through the profits from oil sales (UAE Embassy, 2022). Over time, his vision expanded to diversify Dubai's economy beyond petroleum, with foreign direct investment, increased trade, and creation of shipping and logistics hubs that include Port Rashid, Jebel Ali Free Zone, and the two major Dubai International Airports. In turn, this culminated to the emergence of well-known global players in shipping, transportation and, logistics which are DP World (Dubai Ports World), Emirates Airline and DNATA - Dubai National Air Travel Agency (Guéraiche, 2017).

2. Statement of the Problem

Several research studies have presented varying viewpoints regarding the connection between organizational performance and corporate leadership practice. Eliyana et al. (2019) discussed the ambiguity of the term "leadership" and explored traits that contributed to creating a favourable work environment. (Gerald et al., 2020) view corporate leadership as the accomplishment of organizational goals through proficient and effective means, including resource utilization, organization, planning, and leadership itself. (Son et al., 2020) investigate how leadership choices influence organizational growth, goal achievement, employee performance, efficacy, and innovation.

Conversely, Mohamed Hashim et al. (2022) contend that leaders must adopt tactics that will propel their organizations to attain comprehensive and exceptional competitive advantage, leading to competitive edge over their peers and competitors. Various schools of thought support this perspective, emphasizing the favourable and noteworthy correlation amongst corporate leadership practice and long-lasting superior performance in obtaining a competitive advantage. Nandakumar et al. (2020) affirm that corporate leadership philosophies ought to address three fundamental inquiries - what? why? and how? - pertaining to the concepts examined, the methods utilized to establish relationships between theory concepts, and the theoretical conventions underlying those associations. This study, therefore, bridged the knowledge gap by identifying and examining the salient benefits that companies can gain by leveraging laissez-faire leadership practice to enhance organizational performance.

3. Literature Review

To comprehensively examine the relevant literature in this study, this section is divided into theoretical review and empirical review.

3.1. Theoretical Review

Leadership theories have been developed by psychologists and scholars to analyze the behaviours of effective leaders and to provide practical insights for understanding, predicting, and implementing successful corporate leadership practices (Javalagi et al., 2024; Oberer & Erkollar, 2018). Contingency theory was the key theory that this study was anchored upon. The study drew on three specific theories: Fiedler's theory of contingency (1967), Hersey and Blanchard's theory of situational leadership (1969), and Path-Goal's leadership theory (1970). The afore mentioned scholars were the proponents and critics of contingency theory.

Fiedler's theory of contingency suggests that efficacious leadership relies not only on leaders' practices, but also on the level of control they have over the situation. According to this theory, a leader's efficiency is determined by how well his/her leadership approach fits the particular situation. It underscores the significance of leaders' ability to comprehend the operating situations and employing suitable corporate leadership approaches to adeptly address issues (Ahmed, 2022; Villanovau, 2021).

Hersey and Blanchard's theory of situational leadership (1969), a proponent and critic of contingency theory, also referred to as situational model of leadership, asserts that no leadership practice is inherently superior to others. Instead, leaders should adjust their corporate leadership practices based on the maturity level of their followers and the followers' ability to accomplish tasks. The theory categorizes follower maturity into levels of competence "willingness and ability to perform a task" or incompetence "unwillingness and inability to perform a task", as well as "willingness to work". It emphasizes that corporate leadership practice should be both relationship-oriented and task-oriented, and it involves selling, telling, delegating and participating. Hersey and Blanchard's theory of situational leadership is widely recognized and influential. This theory is relevant to this study as it emphasizes the significance of acclimatizing leadership approach to satisfy the needs and readiness level of followers (Ahmed, 2022; Villanovau, 2021). These approaches marry with approaches of laissez-faire leadership practice.

The Path-Goal leadership theory combines goal setting and expectancy theories to explain the way leaders could inspire and guide their cliques to attain objectives. According to this theory, leaders have the responsibility to select the most effective paths that would motivate and guide their followers toward goal achievement. They should create avenues that are free from obstacles and offer the required assistance and data to aid their followers in attaining the set goals. The theory emphasizes that effective leaders should clarify paths, remove obstacles, and provide support to facilitate goal attainment for their followers (Ahmed, 2022; Villanovau, 2021).

The theories adopted were relevant to this study as they guided the researchers in exploring the effects of implementing, laissez-faire leadership practice, to enhance organizational performance. By utilizing these theories, the researchers established connections between the indirect and direct variables of the study. It should be noted that while these theories share similarities, they offer distinct insights into corporate leadership practices (Ahmed, 2022; Villanovau, 2021).

3.2. Empirical Review

Laissez-faire leadership practice embodies a delegative approach, granting followers considerable autonomy and minimal oversight, allowing them to navigate their tasks with relative independence. This corporate leadership practice involves offering minimal attention and avoiding unnecessary interference in the followers' work, thereby granting them the freedom to pursue objectives aligned with the organization's goals (Avolio et al., 1999; Northouse, 2021).

The core principle of this corporate leadership practice revolves around the belief that team members are highly competent, self-motivated, and experts in their respective fields. Consequently, the leader places immense trust in the followers' capabilities. Given this high regard for their skills, the leader entrusts followers with the authority to make independent decisions regarding their work. Despite the considerable independence granted to followers, the leader remains committed to ensuring the organization's primary objectives are met (Mondy & Premeaux, 1995; Schein, 2009; Yammarino & Bass, 1990).

The perspectives articulated by above-mentioned researchers have remained substantiated by numerous empirical (scientific) studies conducted globally. Linge, Shikalieh and Asiimwe (2016) established a positive connection amid laissez-faire leadership practice and SME growth in Kenya. The study suggests that leaders utilizing laissez-faire leadership practice can positively influence performance and growth in SMEs. Pahi and Hamid (2016) found a significant impact of laissez-faire leadership on doctors' commitment in public hospitals in their study. This suggests that in certain professions and work settings, laissez-faire leadership practice can be of paramount significance and positively influence employee and organizational outcomes.

Khan and Adnan (2014) concluded that while transformational leadership practice may be more suited for novel and budding establishments, transactional leadership practice and even laissez-faire practice may be essential in certain situations. The study highlights the contextual nature of corporate leadership practices and their impact on organizational performance. Norris et al. (2021) challenge the simple understanding of laissez-faire practice as being the nonexistence of management. They argue that delegation, which can be a positive behavior, is sometimes viewed as laissez-faire practice by followers. The study highlights the importance of subordinate perception and the manager's competence and trustworthiness in understanding the impact of laissez-faire practice.

Skogstad et al. (2014) found that destructive types of leadership, including laissez-faire practices, were stronger predictors of subordinates' work satisfaction as compared to productive leadership forms. The study suggests that negative leadership actions have a robust impact on employee fulfilment than positive leadership practices. Yang (2015) challenges the dominant opinion of laissez-faire practice as being connected to undesirable outcomes. The study argues that in certain contexts, laissez-faire leadership can lead to positive outcomes, such as creating space for new philosophies and participation from all parties. Robert et al. (2022) established laissez-faire practice of corporate leadership as being negatively associated with role clarity. They facilitated the association amid laissez-faire leadership practice and well-being of employees. They suggest organizations to be mindful of laissez-faire practice during periods of organizational reorganization to prevent employee stress and resource depletion.

Overall, the reviewed studies presented a nuanced understanding of laissez-faire practice of corporate leadership and the impact it had on organizational performance. While some studies highlight noteworthy influence of laissez-faire practice in specific contexts, others emphasize the importance of considering the negative consequences and the need for role clarity and proactive management. It is important for leaders to understand the situational factors and organizational dynamics to effectively apply laissez-faire leadership practice for improved organizational performance.

4. Methodology

This study followed a positivist methodological philosophy and employed a mixed-methods approach, integrating both primary and secondary data. Purposive sampling was used to select logistics companies that aligned with the study's objective and met its specific characteristics (Etikan et al., 2016; Palinkas et al., 2015). Primary data was collected through a structured questionnaire comprising both closed and open-ended questions, which participants self-administered. Secondary data was sourced from existing literature and reliable online sources, including websites of companies under study. The study combined qualitative and quantitative research to explore underlying factors, using a descriptive research design for analysis. Findings were processed using SPSS-29, analysed through means. Multiple linear regression (MLR) was applied to examine sample behaviour, draw inferences about the population, and test the null hypotheses.

5. Research Findings and Discussions

Influence of laissez-faire leadership practice was measured using three observable indicators - leader delegation, least oversight and ultimate trust. The findings were presented using central tendencies, precisely standard deviations and means. The statements on the questionnaire (posed to respondents), with regard to laisses-faire leadership practice, would herein be labelled and referred to as LSF1 to LSF10 in the subsequent explanation segment that follows.

The findings with regard to the extent to which LSF practice influenced performance of logistics industry of Dubai – UAE (LIoD – UAE). Ten questions were addressed to 65 respondents. Based on the high mean scores of the responses, all statements with regard to LSF proved to be significant to the respondents. However, LSF2 (M = 5.00; SD = 0.00), LSF7 (M = 4.96; SD = 0.17, LSF8 (M = 4.95; SD = 0.30) and LSF9 (M = 4.91; SD = 0.33) which scored the highest mean scores, were the statements that respondents seemed to strongly agree with. LSF10 (M = 4.90; SD = 0.35) and LSF1

(M = 4.90; SD = 0.36) followed as median statements. At the bottom of the spectrum was LSF4 (M =4.88; SD = 0.39), LSF5 (M = 4.74; SD = 0.53), LSF6 (M = 4.73; SD = 0.54) and LSF3 (M = 4.67; SD = 0.57) which scored relatively low means. Based on the overall mean score of 4.86, it can be deduced that respondents strongly agreed that LSF practice indeed had significant positive influence on performance of LIoD – UAE. The overall standard deviation of 0.35 implied that most responses were clustered around the mean response. The high average mean implied that most managers of LIoD believed their subordinates were trustworthy and they (managers) strove to empower them (subordinates) to achieve set objectives.

5.1. Relationship Between Laissez-Faire Leadership and Dubai's Logistics Industry's **Performance**

The regression model summary presented in this section gives an insight into how well the independent variable was able to explain the changes in the dependent variable. The output was as presented as follows.

The R², or coefficient of determination, was 0.80 and the adjusted R² was 0.77. Morse (2016) argues that the adjusted R² provides a more accurate depiction of association amongst independent variables and those that are dependent, since it accounts for the sum of variables that are independent included in any model. Therefore, the value of 0.77 for the adjusted R² suggested that the changes in corporate leadership practice represented by laissez faire leadership accounted for the variations in performance of LIoD - UAE.

5.2. Analysis of Variance

The results from analysis of variance produced a P value of 0.025. The p value of 0.025 implied that the model was significant and that there existed a statistically significant relationship between Laissez Faire Leadership Practice and Performance of LIoD – UAE.

5.3. Coefficients

The hypothesis tested on differentiation stated that "Laissez-faire leadership practice has no statistically significant influence on performance of logistics industry, in Dubai, United Arab Emirates". However, the study findings indicated that there was a significant relationship between Laissez-faire leadership practice and performance of logistics industry, in Dubai, United Arab Emirates. Laissez-faire leadership practice, with a beta of 0.45 was at a statistically significant level and was a good predictor of performance implying that an increase in differentiation by one unit would result to 0.45 positive improvement in performance of logistics industry, in Dubai, United Arab Emirates.

6. Conclusion

Regression analyses undertaken to establish existence of correlation between Laissez-faire leadership practice and performance of logistics industry, Dubai, United Arab Emirates, proved that correlation certainly did exist. The conclusion implied that the corporate leadership practice that was under study was fundamental to the performance of Dubai's logistics industry. The logistics industry therefore had to ensure that all policies intended to enhance performance of the industry met the necessary conditions of Laissez-faire leadership practice, that included, leader delegation, least oversight and ultimate trust, in various fundamental areas of the logistics industry. This finding was consistent with research by Avolio and Yammarino (2013), who demonstrated that integrating different corporate leadership practices within multinational corporations led to enhanced performance synergies. Furthermore, the study reinforced the idea that Laissez-faire leadership practice was essential for driving organizational success, particularly in dynamic sectors like logistics, which required adaptive and responsive leadership.

7. Recommendations

Further research could focus on sustainability and resilience in logistics industry in Dubai, United Arab Emirates, to enhance supply chain resilience, particularly in light of global disruptions such as pandemics, natural disasters, and geopolitical tensions. Further research could assess vulnerabilities of supply chains to various risks and uncertainties, and identify resilience-building measures such as diversification of suppliers, inventory optimization, and contingency planning.

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