

UNIVERSITI TEKNOLOGI MARA

**THIRD OPINION LEADERSHIP FOR
QUALITY OF FINANCIAL DECISION
MAKING**

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for the Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

Third opinion is a leadership style that was adopted from Joni (2004) which relies on outsider's opinion in influencing their decision-making process. There are three characteristics of third opinion proposed in this study, which are *third opinion's mind* that is people with knowledge and high thinking level; *third opinion's relationship* that is people based on personal trust and networking; and *third opinion's focus* that is people who have idea, creativity and innovativeness. This research advocates that third opinion is contingent upon the relationship between leadership behavioral style initiated from Path-goal theory by House and Mitchell (1974) and Situational theory by Hersey and Blanchard (1977). Leadership style therefore is conceptualized based on four dimensions namely directive behavioral style, supportive behavioral style, participative behavioral style and achievement-oriented behavioral style. 211 data were collected from managers in different sectors through questionnaires survey. All results were obtained from SPSS (19.0) using four major statistical techniques which are factor analysis, reliability analysis, descriptive analysis and regression analysis. The findings indicate that third opinion for financial decision making is moderately important for Malaysian managers and has significant difference among leadership style. Regression analysis shows that the quality of financial decision is significant and positively related to leadership style. Third opinion's mind and third opinion's relationship act as pure moderator, while third opinion's focus was found to be a quasi-moderator. For theoretical implication, the findings suggest that the inclusion of the moderating variable will further enhance the understanding of the differential impact of leadership style under various contexts of decision-making situation, in this case, the third opinion. For future research, it is recommended that differences relation to leadership styles should be studied more extensively to reach various kinds of comparative conclusions.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Decision-making is a key aspect of leadership in any organization, whether public or private. Leadership plays a tremendous role in the processes and applications of decision-making. When making complex decisions, organizations must consider several different factors. However, Shapiro and Lorenz (2000) have argued that “the thinking behind decisions of these leaders are intuitive and implicit rather than logical and explicit, creating the illusion that decisions just happen”. For example, the organization must evaluate what is at stake in making a certain decision. Other factors to be considered are information providers, team members and stakeholders. Consideration of these elements is especially important in making decisions to respond to competition, to launch a new product, or to develop a new business strategy (Marca, Meyer, Spetzler, Judd and Winter, 2007).

The way successful leaders approach the decision-making process changes as they move up in the organization (Brousseau, Driver, Hourihan and Larsson, 2006). Thus, some leaders make decisions based on their own judgments and some will refer to other people’s opinions before further judgments are made. A leadership style that seeks and gives opinions from and to others is called an opinion leadership style. The quality of decision making depends on how the leaders make decisions, either from their own judgment or with the help of others.

In certain countries like India and Sri Lanka, opinion people can influence legal action that is, approved by the law or alter the rules for government agencies (Kahai and Sosik, 1997). Opinion leaders are filled with new information and ideas. Each issue, industry, and ideology has its own opinion leaders because they are agents that are constantly changing and actively using the media. Opinion leaders who are involved with the media allow their ideas to spread widely around the world given to those who are concerned about issues, industry, or ideology. They form a business and industry that affects others in terms of research and debate, disseminate ideas, expand the conversation and affect policy decisions (Nielson Online, 2008).