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South African employees' perceptions of an effective leader based on the theories of transactional and transformational leadership

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the degree of Master of Business Administration

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ON LEADERSHIP

Leadership is an invisible strand as mysterious as it is powerful.

It pulls and it bonds.

It is a catalyst that creates unity out of disorder.

Yet, it defies definition.

No combination of talents can guarantee it.

No process or training can create it where the spark does not exist.

The qualities of leadership are universal:

They are found in the poor and the rich,

The humble and the proud,

The common man and the brilliant thinker;

They are qualities that suggest paradox rather than pattern.

But wherever they are found Leadership makes things happen.

The most precious and intangible quality of leadership is trust,

The confidence that the one who leads will act in the best interest

of those who follow…the assurance that he/she will serve the

group without sacrificing the rights of the individual.

Leadership's imperative is a sense of rightness,

Knowing when to advance and when to pause,

When to criticise and when to praise, and

Knowing how to encourage others to excel.

From the leader's reserves of energy and optimism,

His/Her followers draw strength.

In his/her determination and self-confidence, they find inspiration.

In its highest sense, leadership is integrity.

This command by conscience asserts itself more by commitment and

example than by directive.

Integrity recognises external obligations.

But it heeds the quiet voice within rather than the clamour without.

Kismaric and Mikoloycak 1974. Published in an internal IBM publication called "On Leadership"

ABSTRACT

The aim of this study was to look at the topic of leadership from an employee's perspective by establishing the extent to which employees' have a common perception of an effective leader in business. The study aimed to uncovered whether employees' perceptions of an effective leader varied in relation to their level of seniority in an organisation. This was undertaken within the context of a transactional and transformational leadership framework.

A questionnaire administered to employees across industries in South Africa was used as a basis for the study. The sample consisted of 142 respondents and each respondent was requested to rate their perceptions of effective leadership in business. The researcher administered an adapted Multifactor Leadership Questionnaire (MLQ) questionnaire to respondents which was designed and validated by Avolio and Bass (1995) to measure transactional and transformational leadership.

The statistical measures used in the study included descriptive statistics and analysis of variance (ANOVA) tests.

The study showed that overall employee's perceptions of effective leadership, when assessed within the transactional and transformational leadership framework, did not significantly differ based on their level of seniority within an organisation. The results indicated that while employees overall, perceive an effective leader to display a higher degree of transformational leadership than transactional leadership. An exception was identified relating to the transactional dimension of Contingent Reward. Although Contingent Reward falls within the dimension of transactional leadership, it was rated by respondents as having equal weighting to the dimensions of transformational leadership.

The research has shown that the application of the theories of transactional and transformational leadership can be more broadly applied for leaders dealing with subordinates at various levels of an organisation.

An employee's level of seniority within an organisation does not impact their perception of effective transactional leadership, however, the research revealed that an employee's level of seniority within an organisation impacts their perception of effective transactional leadership at a top / senior management level when compared to professionally qualified / middle management, skilled / junior management and semi-skilled staff.

Top / senior management are seen to be aware of the importance of transformational leadership from a strategic level where they set the strategic direction for the organisations and are responsible for the achievement thereof. This ultimately should lead to increased employee satisfaction, sustained organisational performance and a fair return to shareholders.

DECLARATION

I, Tanya Knowles, declare that this research report is my own unaided work. It is submitted in partial fulfilment of the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

_____

Tanya Knowles

20/01/2009

DEDICATION

In dedication of my family Ron, Pauline and Tony Knowles who have given me the riches possession in the world, love. I love you all.

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Finally and most importantly to my Mom, I miss you more than any words I could put on paper. I wish you were here to read my research. It would have not been possible without you. God Bless

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1 INTRODUCTION

1.1 Purpose of Study

This research report intends examine the subject of leadership from an employee's perspective. This involves establishing the extent to which employees have common perceptions of an effective leader in business and in what way they may differ. The study attempts to uncover whether employees' perceptions of leadership vary in relation to their level of seniority in an organisation. This has been completed within the context of the transactional and transformational leadership frameworks originating from the work of Burns (1978) and Bass (1985a) respectively.

1.2 Context of Study

"The topic of leadership and the investment in leadership development by organisations has never been more pronounced than it is today. A recent literature search using the key word leadership on a popular Internet search engine (google.com) turned up an incredible 9, 450, 000 references" (Winum 2003:41). Today this figure has grown in excess of 147 000 000 references.

The task of leading people effectively can be extremely challenging, complex and stressful. Leadership is never easy, even for the most experienced people (Ciampa 2005). The speed of change, competition and increasing complexities facing organisations today, means that leaders need to be equipped to face these realities in order to drive the organisation forward. Part of this challenge is leading, motivating and interacting with followers to achieve excellence.

Although a significant amount of literature has been devoted to the subject of leadership, this research lacks depth in terms of the followers, or in this case, the employees' perceptions of an effective leader. Andrew (1987) in McElvey, Hall and Lynch (1997) advocated that one of the downfalls of the early research was its failure to ask the opinions of those being led. However, as the importance of the follower has emerged, leadership is now seen as an interaction between the goals of the followers and leaders (Horner 1997).

As some of the few writers who have covered this aspect of leadership, Kouzes and Posner (2004) argue that any discussions of this topic should look at the dynamics of the relationship between the leader and the follower. There are no leaders without followers and yet, overwhelmingly, we tend to focus on the former to the neglect of the latter (Kellerman 2004).

1.3 Problem Statement

1.3.1 Main Problem

This research report aims to identify the extent to which, if any, employees at different levels of seniority in an organisation have different perceptions of effective leadership in business, according the theories of transactional and transformational leadership.

1.3.2 Sub-Problems

1. What are employees' perceptions of effective leadership against a transactional and transformational leadership framework?

2. Do employees' perceptions of effective transactional and transformational leadership in business differ according to their level of seniority in an organisation?

3. Does an employee's level within an organisation impact his/her perception of effective transactional leadership?

4. Does an employee's level within an organisation impact his/her perception of effective transformational leadership?

1.4 Significance of the Study

In the face of increasing environmental and organisational changes, leaders of the 21st century are under constant pressure to perform and are finding it increasingly difficult to meet the leadership challenges that face them. Despite the ever mounting literature, courses and centres dedicated to leadership development, the number of Chief Executive Officers (CEOs), for example, leaving their jobs within the first few years is on the rise (Ciampa 2005). "The Centre for Creative Leadership estimates that 40% of new CEOs fail in their first 18 months" (Ciampa 2005:46).

As a result, one could argue that the work dedicated to leadership studies and development has not completely addressed the issues faced by leaders today. This research therefore intends to build on the body of knowledge around leadership and provide new and additional insights on a topic which has not yet been exhausted by other research.

While many studies (Aronoff and Litwin 1971; Goldstein and Sorcher, 1974; Smith 1976 in Yukl, 1989a) have shown that leadership qualities can be taught and learnt, if one is able to include employees' perceptions of an effective leader within

the curricula, one may be in a better position to teach the leaders of tomorrow these skills.

The aim of this study intends to add the knowledge base of what constitutes an effective leader. The study gives leaders across business sectors in South Africa insight into employees' perceptions of an effective leader as they should be able to use this information to make themselves better leaders in the organisation. In addition, leaders will be made aware of the extent to which employees at different levels of their organisation do, or do not, like to be lead in different ways. Meeting employees' needs is commonly accepted as one of the keys to improving organisational performance (Kotler, Bowen and Makens 1999) and part of this relates to understanding what they want from their leader. Armed with this knowledge, a leader can work towards satisfying his or her needs and thereby increasing their leadership and organisation's overall effectiveness.

1.5 Delimitations and Limitations

1.5.1 Delimitations

The following delimitations have been identified:

This study is completed from an employee's perspective for all respondents and not from a leader's perspective.

The study does not intend to distinguish between or cover aspects relating to management versus leadership.

The study does not attempt to uncover behaviours or characteristics currently exhibited by leaders within the organisations of the respondents.

The study does not attempt to uncover the psychological forces relating to how or why employees have certain perceptions of an effective leader.

The study does not cover why people follow a certain person or the theories relating to the concept of followership.

The study does not attempt to determine if employees agree or disagree with the theories of transactional and transformational leadership.

The study does not distinguish respondents in terms of demographics other than their level of seniority within their own organisation. Data related to gender and age is collected and used for demographical analysis only.

1.5.2 Limitations

The following limitations have been identified:

This study may have limited application due to the small sample size and therefore have limited ability to draw descriptive or inferential conclusions from sample data about the larger population.

The number of respondents per organisational level may be limited and therefore may not be representative of an entire organisation.

The respondents are not guaranteed to represent the generalised population.

Due to the nature of the questionnaire design, only factors relating to transactional and transformational leadership are identified. Employees' perceptions relating to other leadership theories / models are not be covered by the research.

The respondent's previous interaction and experience with an individual in a leadership role, whether positive or negative, may impact their responses when responding to this particular study.

1.6 Definition of terms

1.6.1 Leadership

Leadership has as many definitions as there are people who have attempted to define the concept (Bass 1990a). The term can mean different things to different people (Yukl 1989a), however, there is a common denominator in the assumption that it is a process whereby “intentional influence is exerted by the leader over followers” (Yukl 1989:3a). Some of the common words used to define leadership include exerting influence, motivating and inspiring, helping others realise their potential, leading by example and selflessness.

For the purpose of this study, leadership is regarded as “the process of social influence in which one person is able to enlist the aid and support of others in the accomplishment of a common task” (Chemers 1997:1). Furthermore within the context of an organisation, leadership can be described as “focus or group process, as a matter of personality, as a matter of inducing compliance, as the exercise of influence, as particular behaviours, as a form of persuasion, as a power of relation, as an instrument to achieve goes, as an effect of interactions, as differentiated roles, as initiation of structure, and as many combinations of these” (Bass 1990a:11).

1.6.2 Effective Leadership

Leadership effectiveness can be defined as the degree to which a leader is able to motivate group performance and facilitate the fulfilment of organisational goals. Factors can include employee satisfaction, turnover and staff moral (Fiedler 1967). Effectiveness is not only associated with follower achievement but includes the leaders ability to motivate people to the highest degree possible to maximise organisational performance (Yukl 2005).

1.6.3 Follower / Employee

The term “followers” and “employees” are used interchangeable during this paper. They are used in the most general sense of the word to consist of anyone who reports to a leader / manager.

1.6.4 Organisational Structure and Level

An organisational structure refers to “the formal system of working relationships within an organisation, showing the reporting relationships between different functions and positions of management and staff. This structure is often represented in the form of an organisational chart” (www.erc.msh.org).

In this study, the respondent’s level within the organisational structure is determined based on their remuneration and correlated to their employment level within an organisation as per the Employment Equity occupational levels defined by the Employment Equity Act (1998), South Africa. The band in which the employee’s remuneration falls, is cross correlated to their Employment Equity occupational levels in line with the HayGroup, South Africa’s correlation tables (Appendix A) and corresponding organisational structure (Appendix B).

1.7 Assumptions

The research makes the following assumptions:

The first assumption is that all respondents to this research have a basic understanding of the concept of leadership and the role that leaders play in an organisation.

The second assumption is the respondents remuneration is market related to other pay levels in South Africa and the researcher is therefore able to categorise respondents based on the Employment Equity occupational level.

Given the anonymity of the respondents, the third assumption is participants answer the questionnaire honestly and objectively.

The respondents answered the questionnaire rating their perception of an effective leader and not just their current leader is considered the forth assumption.

The final assumption is the research methodology and design provides sufficient information and data to answer the research problem.

2 LITERATURE REVIEW

2.1 Introduction

The research sets out to firstly identify some of the fundamental literature relating to leadership. Transactional and transformational leadership can be better understood against the backdrop of theories and models that have come before. If the reader is aware of some of the other schools of thought relating to leadership, they will be in a better position to understand what makes transformational and transactional leadership unique. As a result, various 20th and 21st century leadership theories are presented in chronological order to provide a backdrop to current contemporary thinking.

Five broad schools of thought surrounding leadership studies have been identified below. Within these five schools, a number of separate models and theories are presented. While each approach has had its moment in the spotlight over recent decades, they all continue to generate much contemporary interest today.

The first school of thought relates to early leadership studies relating to trait theory and focuses on the characteristics or traits that differentiate leaders from non-leaders. Secondly the behavioural approach examines the key behavioural patterns of a leader by referring to the Ohio State leadership scales, the University of Michigan behavioural studies and participative leadership. The power-influence approach identifies the roll of power in relation to leadership.

This is followed by a description of five contingency models that explore a leader's way of interacting with followers in various situations. Namely Fiedler's contingency model - Least Preferred Co-worker (LPC), path-goal theory, situational leadership theory, leader member exchange (LMX) theory and charismatic leadership.

The final school of thought relates to the contemporary theory of Level 5 leadership. While the theories of transactional and transformational leadership fall

under the contemporary school of thought, these are addressed separately in relation to the research problem, sub-problems and importance to this study.

2.2 "Great Man" Theories

Firstly, the nineteenth century philosopher, Thomas Carlyle, suggested the "Great Man" theory of leadership based on the principle that great leaders are born and not made by assuming that the capacity for leadership is inherent (Bass, 1990a). This was based on studies of people who were already great leaders. These people were often from the aristocracy, as few from lower classes had the opportunity to lead. This contributed to the notion that leadership had something to do with breeding.

These theories often portray great leaders as heroes who were destined to rise to leadership when needed. The term "Great Man" was used because, at the time, leadership was thought of primarily as a male quality, especially in terms of military leadership.

2.3 Trait Approach

Early studies of leadership during the 1920's and 1930 were focused on the identifying common traits leaders were believed to display. The research focused on three broad categories: physical attributes, ability and personality features (Bryman 1986). These theorists argued that certain traits and characteristics could be identified and included drive, the desire to lead, honesty and integrity, self-confidence, intelligence and job-relevant knowledge. These traits consistently distinguished leaders from their followers (Kirkpatrick and Locke 1991).

The trait approached focused solely on the leaders, it ignored factors such as power, the situation or followers. Trait theorists relied on constructs which lacked

substance and as the problems associated with trait theory began to emerge, researchers turned to the examination of leader's behaviour.

2.4 Behavioural Approach

From the 1940's there was a shift away from the trait theories as researchers focused on behavioural theories or more specifically, the behaviour that leaders commonly exhibited. As a result of their early studies, the behavioural theorists postulated that leaders exhibited certain common behaviour patterns and if these could be identified, they could be taught (Robbins 1996). Therefore they set out to identify types of behaviour exhibited by leaders.

2.4.1 Ohio State Leadership Scales

The Ohio State Leadership Scales research began in the mid 1950's. Two dimensions of leadership behaviour were identified: employees' feelings or interpersonal relationships and initiating structures (Bryman 1986). The former looks at employee orientated leadership and the consideration of followers well being and feelings while the latter relates to the leader initiating structures including clearly stating what tasks need to be achieved. Yukl (1989a) argues that the scales used contained biases or errors and don't address situational constraints. Despite these short comings, many theories today still rely on the Ohio State Leadership Scales to classify leadership behaviour (Pollock 1998).

2.4.2 University of Michigan Behavioural Studies

Similarly, the University of Michigan Behavioural Studies examined two styles of leadership behaviour. The first related to production centred behaviour whereby a leader pays close attention to the work of sub-ordinates explains the work and is interested in the employee's performance. The second style is termed employee

centred behaviour and here the leader is interested in developing a cohesive work group by ensuring that employees are satisfied with their jobs (Ratzburg 2005).

While some of these research findings were inconclusive, they did reflect that an employee orientated leadership style appears to be associated with group productivity and job satisfaction (Allen 1998).

2.5 Participative Leadership

The participative leadership school of thought suggests that an ideal leadership style takes into account the input and feedback from others. As oppose to making autocratic decisions, a participative leader involves employees in the decision making process possibly including peers, superiors and stakeholders too. This helps followers feel more relevant and committed to the decision making process.

2.5.1 Lewin's Leadership Style

The studies of Kurt Lewin (1951) in the late 1930's and 1940's identified three major leadership styles namely, authoritarian leadership (autocratic), participative leadership (democratic) and delegative leadership (laissez-fair).

a) Authoritarian Leadership (Autocratic)

According to Lewin, authoritarian leaders provide clear expectations of what needs to be done, when it should be done and how it should be done. There is a clear separation between the leader and the follower where the leader makes decisions independently of followers with little or no input from them.

b) Participative Leadership (Democratic)

Lewin's study found that participative (democratic) leadership is generally the most effective leadership style and this lead to the association of his work with participative leadership. The style allows for group input and members of the group

are encouraged to participate. Group members feel engaged in the process and are more motivated and creative.

c) Delegative (Laissez-Faire)

Delegative leaders offer little or no guidance to group members and leave decision-making up to group members. While this style can be effective in situations where group members are highly qualified in an area of expertise, it often leads to poorly defined roles and a lack of motivation.

In Lewin's experiments, he concluded that the most effective style was democratic (participative) leadership. Excessive autocratic styles led to revolution, whilst under a laissez-faire approach, people were not coherent in their work and did not put in the energy that they did when being actively led.

2.5.2 Vroom and Jago Participative Leadership

Vroom and Jago (1988) build on Vroom and Yetton's (1973) earlier normative decision model (Pollock 1998). They suggest that participative leadership can be classified along a continuum as follows:

< Not participative ***Highly participative>***

Autocratic decision by leader	Leader proposes decisions, listens to feedback and then decides	Team proposes decisions and leader has final decision	Joint decision with team as equals	Full delegation of decisions to team

Figure 1: Continuum of participative leadership

Yukl's (1989a) highlights some of the benefits associated with participative leadership. These include that follower's opinions and knowledge can increase the quality of decision making, increase commitment from followers, can help develop future leaders and encourage team building. Participative leadership goes beyond the factors identified in the trait approach as the leader is driven by both goal attainment and follower development (Yukl 1989a).

2.6 Power – Influence Approach

French and Raven (1959) maintain that power plays a key roll within any leader / follower relationship. In their theory on the power – influence approach, leaders derive power from their followers and have the capacity to influence others to either produce or prevent change. Power is based on:

a.) Reward Power: ability to issue rewards that followers may find valuable;

b.) Coercive Power: Power that is based on fear;

c.) Legitimate Power: a leaders right to make requests and decisions based on position and rank within an organisation;

d.) Expert Power: based on the profession of unique skills, knowledge and competence;

e.) Referent Power: based on admiration and respect; and

f.) Informational Power: an individual access to valued information.

Subsequently, Yukl and Falbe (1991) identified to additional bases of power:

g.) Persuasive power: the ability to persuade and influence other individuals; and

h.) Charismatic power: based on inspiration and motivation.

2.7 Contingency Theories

2.7.1 Fiedler's Contingency Theory – Least Preferred Co-Worker

Fiedler's (1967) research revealed that different leadership styles were suited to different situations and as a result varied accordingly. Building on the findings of the behavioural approach in Section 2.3, Fiedler's contingency theory on the Least Preferred Co-Worker (LPC) dominated leadership research in the 1970's (Bass 1990a).

The model describes how the situation impacts the relationship between leadership effectiveness and the behavioural measure called the LPC score. Managers complete a questionnaire to measure their leadership style. The score relates to the order of importance that leaders associated with personal relationships versus task objectives.

The relationship between a leaders LPC score and leadership effectiveness is then dependent on the 'situational favourability'. In brief, a leader with a low LPC score will produce high group performance in very favourable or very unfavourable conditions. A high LPC score is associated with relationship orientated leaders and high group performance will only occur in moderately favourable situations.

The main emphasis of the theory is that a leader needs to be matched with the situation in order to succeed (Fiedler 1967). Under contemporary thinking, Fielder's research is at odds with the ever increasing changing environment that

organisations and their leaders face today. Modern organisations require leaders who are flexible and adaptive to meet the needs of the ever changing global market place (Avolio, Zhu, Koh and Bhatia 2004).

2.7.2 Path-Goal Theory

Based on the expectancy theory of motivation, House's (1971) path-goal theory says it is the leaders job to guide or coach employees to choose the best path to reach their goals and then reward them for effective performance.

It states that there are four possible behaviours for a leader in any given situation:

i.) Achievement Orientated: the leader sets goals and expects employees to perform;

ii.) Directive: employees know what is expected of them, the leader schedules work for them and provides guidance regarding task accomplishment;

iii.) Supportive: the leader is friendly and approachable; and

iv.) Participative: the leader involves employees before making a decision (Armandi, Oppedisano and Sherman 2003).

Path-goal theory assumes that leaders are flexible and can therefore change their leadership style as the situation requires with two contingency variables, namely the environment and subordinates characteristics (Armandi *et al* 2003).

2.7.3 Situational Leadership Theory

Hersey and Blanchard's Situational Theory (1974) has been widely adopted by management development specialists (Robbins 1996). This theory argues that no single leadership style is effective in the leader-follower relationship as leaders need to respond to the changing needs of their organisations / environments and followers. As a result, leaders and leadership training should recognise the leader's

ability to adapt in changing circumstances therefore displaying a range of leadership styles.

This contingency theory focuses on followers in leadership effectiveness on the basis that the followers can accept or reject a leader. Patterns of leadership should depend on the 'maturity' of the followers in terms of two related components.

Firstly 'job maturity' relates to the follower's relevant skills, experience and technical knowledge. Secondly, 'psychological maturity' refers to the self confidence and willingness to complete the task.

As a result leaders can either be directive or supportive as shown in the following table:

Table 1: Situational leadership – directive or supportive behaviour

Directive Behaviour	Supportive / Adaptive Behaviour
One-way communication	Two way communication
Tasks thoroughly explained	Relationship Orientated
Performance closely monitored	Listening, encouraging and supporting
Autocratic decision making	Involve follower in decision making

Leaders need to display directive behaviour for followers who are immature while those that display 'job maturity' and 'psychological maturity' require a supportive leader who focuses on the relationship with their subordinates.

According to Hersey, Blanchard and Johnson (2004), there are four leadership behaviours, namely telling, selling, participating and delegating. Each one of which can be viewed along a task versus consideration continuum:

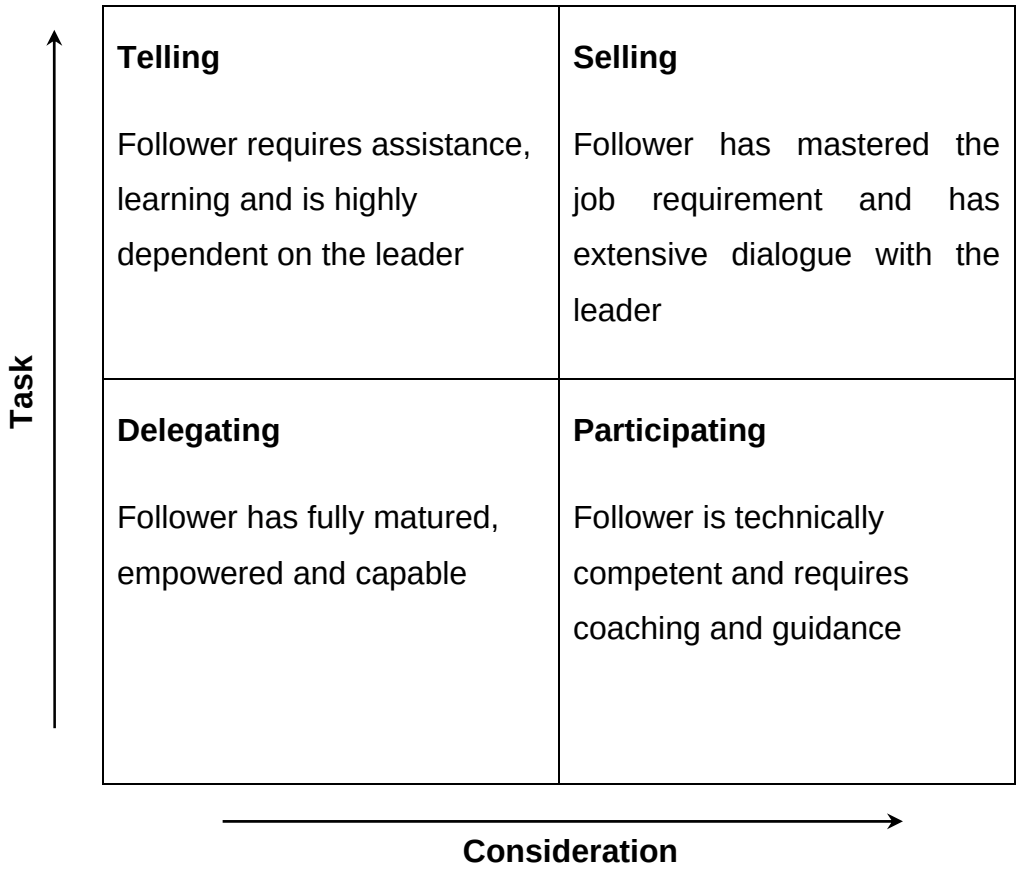


Figure 2: Continuum of situational leadership behaviours

The key determinant of the appropriate leadership style is the follower's readiness or maturity. As a result there are four stages of "follower readiness":

Stage 1: People are unable and unwilling to do something. They are not competent and lack confidence.

Stage 2: People are willing but unable to do the job. They lack the skills but are motivated to perform.

Stage 3: People are able but unwilling to do the job / perform what the leader asks them to do.

Stage 4: People are both able and willing to do the job.

2.7.4 Leader Member Exchange Theory

The Leader Member Exchange Theory (LMX) deals with the relationship between the leader and each individual follower. As opposed to looking at the leader's behaviour across subordinates, this theory maintains that over time leaders should develop individual relationships with followers (Yukl 2005). First developed by Graen, Orris and Johnson (1972), LMX theory states that there is a dyadic relationship between the leader and the individual follower.

As a result, leaders grow their relationships with a small group of trusted followers who are defined as the 'in-group'. For followers in the 'out-group', the leader uses his/her legitimate, coercive and reward power (Yukl 2005). In-group members are given more exciting and challenging tasks, they have more responsibility and receive more tangible rewards. However, they are expected to work harder and be more committed to the leader (Yukl 2005).

The development of the relationship between the leader and the follower therefore progresses over three stages. Initially the leader and follower evaluate each other's potential and mutual expectations. Those who fall into the out-group never progress beyond this initial stage. During the second stage, a mutual exchange arrangement is developed made up of trust, loyalty and respect. In the final stage, mutual commitment to the mission replaces exchanges based on self interest. Therefore relationships expanding beyond stage one would form part of the in-group members (Yukl 2005).

2.7.5 Charismatic Leadership

The word charismatic is coined from the Greek word charisma to mean divine gift. It was initially identified by Weber (1921) as a trait that some leaders exhibit and then later as a set of behaviours (House 1977). A charismatic leader is said to have an emotional appeal to followers and a great hold over them. The assumption is that they exhibit charm and grace and that the followers are drawn to them by

admiration. As a result, a charismatic leader relies on their personality as opposed to external power or authority to guide followers (Yukl 2005).

Conger and Kanungo (1998) describe five behavioural attributes of charismatic leaders:

i.) Vision and articulation;

ii.) Sensitivity to the environment;

iii.) Sensitivity to member needs;

iv.) Personal risk taking; and

v.) Performing unconventional behaviour.

Choi (2006) reduces this to three core components in an attempt to explain explicitly follower's needs and the motivational effects of a charismatic leader as follows:

i.) Envisioning

ii.) Empathy

iii.) Empowerment

Charisma is associated with a leader who acts in a more unconventional way to achieve their vision (Yukl 2005). Often followers of charismatic leaders believe that the leader's vision is correct and are therefore willing to obey the leader without question. They believe that they can contribute to the success of the mission and therefore set high performance standards for themselves (House 1977).

Charismatic leaders display high self confidence and hold a strong belief in their ideas. They will engage in behaviour designed to impress upon the followers with the hope that the followers will imitate this behaviour (House 1977). Musser (1987) argues that charismatic leaders seek to instil commitment and ideological goals as

well as devotion to themselves. The dominance of either of these two goals is dependent on the underlying motives of the leader.

2.8 Contemporary Leadership Theory

2.8.1 Level 5 Leadership Theory – Collins

In recent years, one leader after the next has come under attack following numerous corporate scandals as a result of ethical lapses, incompetence and arrogance amongst senior executives of a disturbing magnitude. The flamboyant, charismatic and often self-promoting style of many popular leaders, often achieving celebrity status, has not had an enduring positive impact on their businesses (Hernez-Broome and Hughes 2004). There is a renewed emphasis on the integrity and character being the leader of one that focuses on the long term success and sustainability of the organisation as opposed to personal gain and short term achievements and rewards.

Echoing these sentiments, Collins (2001) pioneering research and work titled *Good to Great*, distinguished 'Great' companies from 'Good' ones as having leaders who combined personal humility and professional will, otherwise termed as Level 5 Leadership. Level 5 leadership tops the level hierarchy as follows (Collins 2001):

Level 5: Executive – Builds enduring greatness through a paradoxical blend of personal humility and professional will

Level 4: Effective Leader – Catalysts commitment to vigorous pursuit of a clear and compelling vision, stimulating higher performance standards

Level 3: Competent Manager – Organises people and resources towards the effective and efficient pursuit of predetermined objectives

Level 2: Contributing Team Member – Contributes individual capabilities to the achievement of group objectives and work effectively with others in a group setting

Level 1: Highly Capable Individual – Makes productive contributions through talent, knowledge, skills and good work habits

Collins' (2001) research argues that companies with Level 5 leaders are substantially more successful than other organisations. Level 5 leadership rejects the stereotypical charismatic and so-called celebrity CEO in favour of a more modest style of leadership which the leader motivates staff through quiet devotion to high standards and added value.

As will be seen from the literature on transactional and transformational leadership, Collins' work can be tied to these leadership theories, however, its distinguishing feature, namely Level 5 leadership, downplays the role of supervision, reward and punishment associated with transactional leadership and the charismatic, motivating and inspiring characteristics associated with transformational leadership. Transactional and transformational leadership are more closely correlated to Level 4 leadership on Collins' leadership scale. At his so-called ideal Level 5 leadership style, emphasis is placed on the modesty, values and humility of the leader with a focus on their fierce will and commitment to the success of the organisation over the long term.

While Collin's has received much praise for its challenge of contemporary and conventional leadership theories in favour of Level 5 leadership, his research has attracted criticism for the ambiguity in defining great companies, weaknesses in the research methodology, the limited number of concrete examples, small sample size and his failure to counter prove his argument whereby there are organisations lead by leaders who do not exhibit a Level 5 leadership style but are still highly successful (Rosenzweig 2007). As will be seen however, the leadership theories of transactional and transformational leadership have been tested and validated by researchers and theorists over time and therefore have been used to form the basis of the current leadership theory. These theories are now set out and expanded upon to present the crux of the research.

2.9 Transactional and Transformational Leadership

The transactional and transformational leadership theories fall under the contemporary school of thought (Yukl, 1989b) but have been addressed separately due to their balance in evaluating leadership from a leadership and followship perspective as well as their importance in relation to this research problem and sub-problems. The chronological history of leadership theories addressed above has set the backdrop for the literature which follows on transactional and transformational in that the reader is able to put the theories of transactional and transformational leadership in context and perspective when compared to other theories. In addition, these theories have been addressed in far more detail due to their significant within this study.

2.9.1 Transactional Leadership

Burns (1978) related leadership to a transactional relationship which is based on an exchange between the leader and the follower. The most efficient path to achieving the organisations goals is for the leader and follower to meet each others needs and the relationship to be mutually beneficial. In essence the leader provides rewards to the follower in exchange for what the leader wants to achieve and the leader will often use the legitimate power of their position, as previously referred to by French and Raven (1959), to achieve these outcomes.

The leader clarifies the required performance criteria, what is expected from subordinates, and what they receive in return. Such leaders can compensate for deficits of motivation, direction and satisfaction of the workers or organisation if rewards and demands are based on mutual agreement. The relationship between the leader and the subordinate takes on a management form where the leader managers the subordinate to achieve a desired set of outcomes which are mutually beneficial to both parties.

Transactional leadership is a social exchange where the leader retains the power to impose, if necessary, unpopular decisions based on the strength of his / her position (Felfe and Schyns 2002). It is a pure 'give and take' relationship where followers give support, recognition and productivity to the leader with the expectation of receiving a pre-agreed return. The rewards and recognition are extrinsic in nature whereby the leader can, for example, offer a tangible reward and / or verbal recognition.

There are three components (Burns 1978) of transactional leadership:

a.) Contingent reward (CR) – the transactional leader uses a system of rewards and disciplinary measures to motivate employees. The principle is to motivate workers by the exchange of recognition and wages for the work effort of the employee. Transactional contingent reward leadership clarifies expectations and offers recognition when goals are achieved;

b.) Management-by-exception (MBE) – the leader managers followers by ensuring activities are completed efficiently and effectively. They set goals and expectations and then track the follower's achievement thereof.

    i. Management-by-exception: Active (MBEA) – The leader specifies what level of standards is required, as well as what constitutes ineffective performance and may result in the follower being punished for not complying with those standards. The tasks, actions and outputs of the follower are managed by the leaders to achieve the desired result. This leadership style implies the leader closely monitors the follower for deviances, mistakes and errors thereby taking swift corrective action when they occur;

    ii. Management-by-exception: Passive (MBEP) – As the second form of management-by-exception, passive or reactive leadership behaviour, means that the leader does

not monitor the work of the followers systematically and waits for a problem to arise and only then they take corrective action. The leader lacks setting goals or standards to be achieved by followers and this ultimately has a negative effect on the desired outcome; and

c.) Laissez-faire (LF) – Considered as the non-leadership component of transactional leadership as it relates to the leaders avoiding responsibility or are absent when needed. They are not committed to or involved in relevant problems and fail to express their views on important issues. These leaders will fail to follow up on requests for assistance from subordinates (Burns 1978). Researchers often tend to exclude the laissez-faire component of transactional leadership as it represents a lack of leadership.

As a result of the definition described above for laissez-faire leadership, this study excludes it from the research as it measures non-leadership while the research deals with effective leadership.

Transactional leaders guide their followers by establishing clear tasks and reward followers for achieving these goals in the form of this transaction (Burns, 1978). As a result, the employee is willing to work for the leader on the condition that the leader fulfils the employee's own needs in the form of an exchange.

Dvir, Eden, Avolio and Shamir (2002) refer to transactional leadership as a goal setting methodology whereby authoritative influence is applied to ensure compliance and, through resulting feedback, reward and accomplishments. This is reinforced by Vishalli and Mohit (2004) who agree that this leadership style is based on contingent rewards as the result of followers accepting and achieving negotiated performance requirements. This can create a win-win environment for both parties.

Previous research studies have indicated that, both before and after formal training on transactional and transformational leadership, leaders still tend to underutilise

transactional leadership methods even when it is called for from the leader or situation (Bass and Avolio 2004). Time constraints, poor performance management methods, doubts about the efficacy of positive reinforcement, discomforting situations to leader and associate, and the leader's lack of skill or confidence are all partly responsible for the failure to use transactional leadership methods.

Some leaders practice a less active form of corrective transactional leadership, management-by-exception, and turn to a contingent negative approach simply to avoid transactional relationships with subordinates (Komaki 1981). When leaders are faced with poor performance from subordinates which is attributed to lack of ability, the leader tend to "pull their punches." They distort their feedback and make it more positive than it should be, resulting in less appropriate correction in the subordinates' behavior and actions (Ilgen and Knowlton 1980). However, there is sufficient evidence to indicate that corrective transactions and contingent punishment and disciplinary actions can have a positive impact on performance (Atwater, Dionne, Camobreco, and Avolio 1998).

Transactional leaders, who fulfill the self interests and expectations of their subordinates, gain and maintain a reputation for being able to pay, promote, and provide recognition to followers. However, those who fail to deliver the appropriate rewards, tarnish their reputation and are no longer seen as effective transactional leaders (Tsui 1982). Bass and Avolio (2004) maintain that transactional leadership often fails to work because the leader lacks the necessary reputation or resources to deliver the required rewards.

Historically, the Japanese experience was well illustrated within this context due to a cultural dimension previously inherent in Japanese society. In the top third of Japanese firms, including the likes of Toyota, Sony, and Mitsubishi, both the employees and the company felt a sense of lifetime mutual obligation to one another. Being a good member of the "family" did not bring immediate rewards, pay raises and promotions, but overall collective success brought year end

bonuses. Ultimately, opportunities for advancement and salary increases depended on overall performance of both the individual and organisation (Bass and Avolio 2004). More recently, the downturn in the Japanese economy has led to a shift away from the sense of lifetime mutual obligation as the need has arisen for workers to change employers over time.

Korukonda and Hunt (1989) studies in the United States show that if contingent punishment is associated with a clear message of disapproval, the poor performing individual is motivated to improve his or her performance. In terms of the impact of contingent punishment (e.g. disciplinary action) on perceptions of the leader's effectiveness, the contingent punishment can contribute to greater effectiveness when it is delivered in response to poor performance or unacceptable behavior with the intention of improving such behavior.

As punishment will most likely be met with antagonism, a careful and clearly defined route must be followed before followers are likely to see contingent punishment as helpful in assisting them in improving their performance. If leaders clarify standards up font for acceptable and unacceptable behavior and then adhere to those standards by using punishment when the standards are not met, then it is expected that such a leader will be evaluated as effective. As contingent punishment follows unacceptable performance or behavior, it is likely to be seen as fair and just (Ball, Trevino and Sims 1992).

On the other hand, non-contingent punishment in organisations has been shown to be negatively related to performance (Podsakoff and Schreisheim 1985). Similarly findings were uncovered in laboratory settings which showed that non-contingent punishment promoted depression among subjects and lower levels of performance (Seligman 1975). These studies indicated that poorer performance was likely to result from feelings of “learned helplessness," where the recipient of non-contingent punishment feels that regardless of the amount of effort put in, it will not be sufficient to reduce the frequency of punishment (Podsakoff and Schreisheim

1985). Conversely, in settings such as military training, the argument is that non-contingent punishment increases increase an individual's tolerance for frustration, and over time will increase the subordinates performance and self-confidence.

While non-contingent punishment may be useful for developing stress tolerance and self-confidence, it also has many negative side effects in terms of adverse subordinate's reactions toward the leader (Stepina, Perrewe, Hassall, Harris and Mayfield 1991).

It remains, however, that certain aspects of transactional leadership may be counterproductive for the leader, subordinates and the organisation. It is not an ideal leadership model on its own as leaders and subordinates may take shortcuts to achieve the immediate exchange for rewards due to the successful completion of task or objectives. The quality as opposed to the quantity of output may suffer if not as closely monitored by the leader. Subordinates have little real commitment to the organisation and its overall vision and objectives as rewards are tied to specific performance targets where they do exactly what they are told to do but not more (or less). As a result, this is not an ideal base for continuous improvement.

2.9.2 Transformational Leadership

In Maslow's Theory of Human Motivation (1943), Maslow's hierarchy of needs is often depicted as a pyramid which consists of five levels. The first four levels are externally satisfied needs that every individual must satisfy before that can progress to the self actualisation reflected at the top of the pyramid. According to Maslow, the higher needs in this hierarchy only come into focus when the lower needs in the pyramid have been fulfilled. Once an individual has moved upwards to the next level, needs in the lower levels will no longer be prioritised. If a lower set of needs is no longer being met, the individual may temporarily re-prioritise those needs by focusing attention on the unfulfilled needs, but will not permanently regress to the lower level. Maslow's hierarchy of needs is reflected

diagrammatically below in Figure 3. The traditional needs highlighted by Maslow as well as those relating to an organisational framework can be seen.

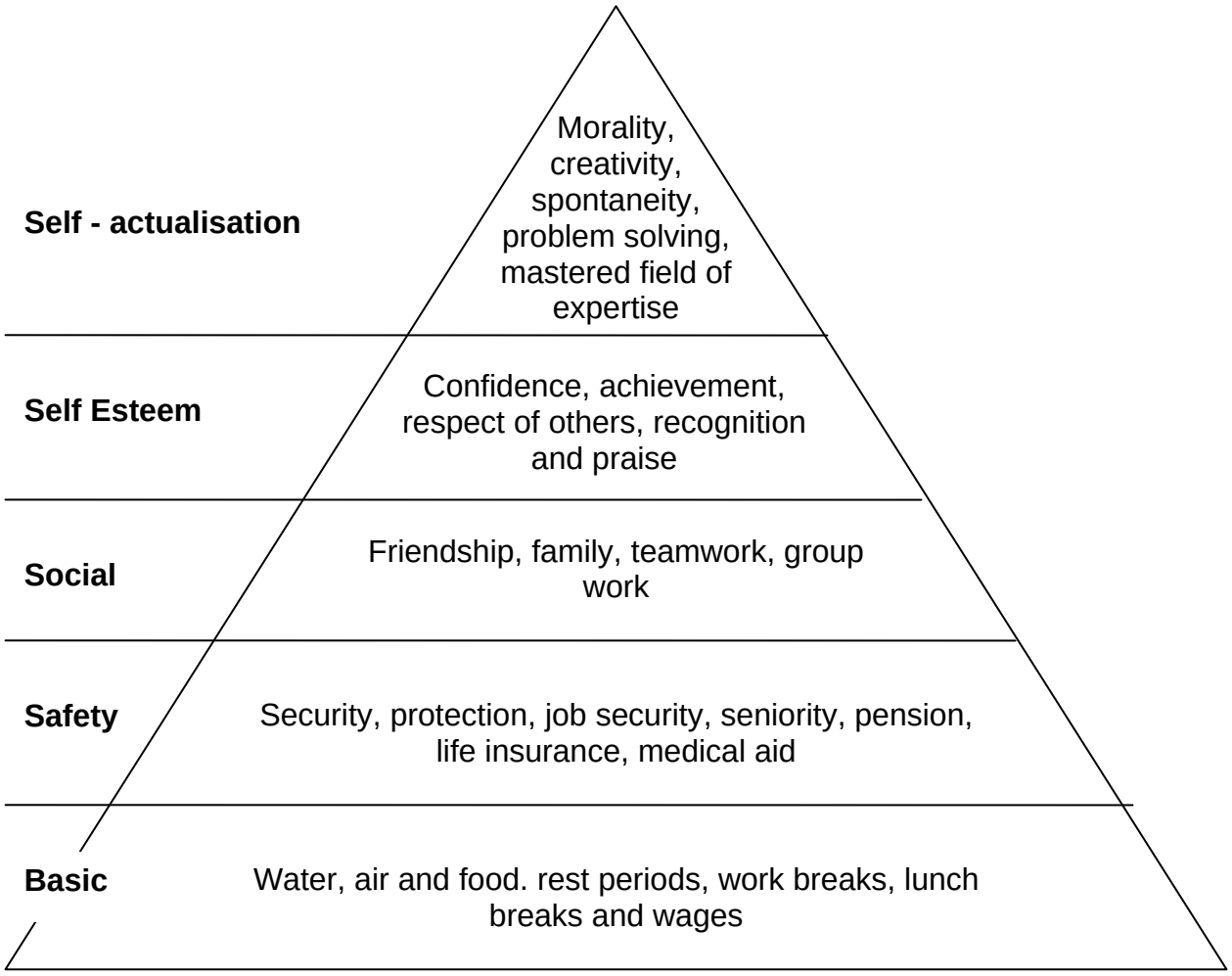


Figure 3: Hierarchy of Needs

Figure 3: Maslow's Hierarchy of Needs (1943)

In terms of the leadership theory of transactional leadership addressed in this paper, Maslow's lower four level of needs relating to externally satisfied items can be aligned to the factors associated with transactional leadership. It was in 1970 however, that Maslow expanded his work specifically regarding the fifth level of self-actualisation (1970).

The fifth level was renamed as the cognitive level of knowing, understanding and exploring. Maslow added three more levels include level six for the pursuit of aesthesis and beauty, level seven where one seeks self fulfilment and realises one's potential and finally, level eight known as transcendence which seeks to help others find self fulfilment and realise their own potential (Maslow 1970).

The identification of this higher order of needs leads to the theory of transformational leadership. While previous writers such as Downton (1973) and Burns (1978) make mention of transformational leadership, it was Bass (1985a) who presented the first formal theory. As in relation to Maslow's hierarch of needs, transformational leadership is not a substitute for transactional leadership, but rather tends to add to its effectiveness by building on transactional leadership theory (Bass 1997). One needs to satisfy the basic external or transactional needs of followers to ultimately reach the higher order of needs and use a transformational style of leadership. The psychological needs uncovered by Maslow in his later study (1970), can be correlated to the work on transformational leadership.

Bass (1985a) identifies transformational leadership in terms of how leaders affect their followers, who are intended to trust, admire and respect the transformational leader. Transformational leadership can be defined by when leaders:

a.) stimulate interest from followers with the intention for them to view their work from a new perspective;

b.) make followers aware of the mission and vision of the organisation;

c.) grow followers to a higher level of ability and potential; and

d.) motivate followers to look beyond their own selfish interests towards those that will benefit the common good of the group or organisation.

Bass's (1990b) work is regarded as one of the more comprehensive studied models on leadership even today (Schyns and Sanders 2004) and hence the reason for its use in this research.

Transformational leadership involves injecting enthusiasm and energy into subordinates to get things done (Bass 1985a). Burns (1978) defined transformational leadership as a process where leaders and followers interact to raise one another to a higher level of morality and motivation. The leader is said to be aware of the follower's needs and motivations and assists the follower in reaching their full potential. Followers are made more aware of the importance of tasks, the team effort for the organisation and are motivated to perform (Burns 1978).

Transformational leaders are said to provide individual consideration or, in other words, show concern for their individual followers. They are charismatic and can inspire and excite their followers. A transformational leader can be charismatic but the main difference between these two leadership styles lies in the focus of the leader where the transformational leader will want to transform the organisation while the charismatic leader may not want to do so.

Bass and Avolio (2004) argue that if a leader is truly transformational, then they display the following:

a.) Idealised influence (II):

i. Idealised influence: Attributes (IIA) – the leader is admired respected and trusted by followers who want to identify with and emulate the leader. In order to gain acknowledgment from followers, the leader considers the groups needs over the leader's own needs; and

ii. Idealised influence: Behaviour (IIB) - The leader displays the importance of having a strong sense of purpose and collective

mission. They conduct themselves with the utmost ethics, principles and values.

b.) Inspirational motivation (IM) – The leader behaves in a manner which motivates those around him / her by providing meaning and challenges to the followers work and engaging in shared goals. The leaders builds a team spirit while displaying enthusiasm and optimism about the future;

c.) Intellectual stimulation (IS) – Followers efforts are stimulated through the leader encouraging innovation and creativity by questioning current assumptions, reframing problems and approaching old situations in new ways to solicit more creative solutions from followers; and

d.) Individual consideration (IC) – Each follower is treated as an individual where the leader provides coaching, mentoring, learning and growth opportunities. Individual's needs and desires are recognised by the leader.

These are commonly known as the "Four I's" of transformational leadership. Training in the Four I's can enhance effectiveness and satisfaction of a leader (Bass 1994).

Numerous studies (Fuller, Patterson, Hester and Stringer 1996; Lowe, Kroeck and Sivasubramaniam 1996; Felfe and Schyns 2004) have shown that transformational leadership can significantly increase organisational performance and is positively linked with long term success. A transformational leadership style can lead to higher employee commitment and increases trust between the leader and the followers. It enhances the satisfaction of both the leader and the follower and can reduce stress while increasing wellbeing.

According to a series of studies (Avolio and Bass 1988; Bass and Avolio 1993, 1994; Bass 1985b; Hater and Bass 1988; Howell and Avolio 1993; Lowe *et al* 1996; Yammarino and Bass 1990a) in which subordinates described the behavior of their immediate military and business leader (using standardised questionnaires

to elicit leader behavior descriptions), the transformational leaders achieve their results in one or more of several ways (Bass and Avolio 2004):

- Transformational leaders become a source of inspiration to subordinates by demonstrating their commitment to those who work with them, their dedication to the mission of the organisation, their willingness to take calculated risks, and their strong desire to achieve.

- Transformational leaders used Individualised Consideration to meet and elevate the needs of each of their subordinates. They believe in promoting continuous people improvement for the people who they lead.

- Transformational leaders stimulate their subordinates to view things from a new perspective, angle and information source. They question even the most successful strategies to improve them over time.

- Subordinates trust their transformational leaders to overcome obstacle due to their hard work, willingness to sacrifice their self-interest, and their history and reputation for successes.

A principal characteristic of transformational leadership is that the success of this kind of leadership style can also be measured by how well the leader has developed subordinates into effective transformational leaders themselves. This outcome can be thought of as the cascading or “falling domino” effect of transformational leadership (Kuhnert 1994 and Bass, Waldman, Avolio and Bebb 1987) where the leader success can also be seen in the performance and development of their subordinates by the degree to which the subordinates have developed to their full leadership potential.

A number of examples of the cascading effect of transformational leadership have been observed across different organisational settings (Bass and Avolio 2004). A

consistent theme underlying this effect is that subordinates have a sense of ownership and taking control. They express that they feel capable of exercising effective leadership with their own subordinates or colleagues. Such action on their part usually provides the main leader with time and opportunities to plan ahead rather than to spend time solving routine problems linked with each associate's job. These leaders often comment on being able to move away from handling small problems in a stopgap manner to being more proactive in their orientation.

The extensive research completed in the area of transformational leadership has been extended to include many other factors including gender studies, geographical locations, varying cultures and situation as well as social influences.

Generally, prior evidence and research has indicated that female leaders are more transformational than their male counterparts. This is according to both male and female followers (Bass, Avolio, and Atwater 1996). Eagly, Johannesen-Schmidt, and Van Engen (2003) conducted a meta-analysis of gender differences in relation to transactional and transformational leadership. The results showed that female leaders were rated more transformational than male leaders and also engaged in more of the contingent reward behaviors. Male leaders were generally more likely to exhibit aspects of transactional leadership.

Barling, Weber and Kelloway (1996) completed field work by comparing 20 managers trained in leadership and leadership development when compared to a control group. They found that leadership training had a positive effect where follower’s commitment and performance increased as a consequence of the leader being trained to be more transformational in their leadership style. Similarly, Avolio and Bass (1998) found that for 115 community leaders who had been rated by their followers prior to participating in the training, significant increases in inspirational motivation and intellectual stimulation resulted, as well as a significant decrease in managing-by-exception, immediately following leadership training on

transformational leadership. Leaders received higher ratings and increased satisfaction from followers as a result of the training.

Dvir, *et al* (2002) study of the infantry platoon commanders of the Israeli Defense Force revealed that increased transformational leadership led to a higher sense of self-efficacy and belonging and platoon's performance was higher in four of six measures of objective performance six months following training. The control groups showed no difference.

These three studies above concluded, amongst other things, that transformational leadership skills can be taught and their overall impact had a positive impression on subordinates and the organisation. The organisations cultures were also positively transformed and impacted as a result of an increased emphasis on the factors relating to transformational leadership.

In addition, Barling, Loughlin, and Kelloway (2002), using two separate samples tested a model linking safety-specific transformational leadership and occupational injuries. Results showed that safety-specific transformational leadership predicted occupational injuries through the perceived safety climate, safety consciousness, and safety-related events. As a result, not only does transformational leadership give rise to increase superior and organisational performance but also increase safety records and standards. These findings where confirmed in the work of Zohar (2002) which showed that increased transformational leadership was associated with greater concern for group-members' welfare, arising from closer, individualised relationships, promote supervisory safety practices creating higher safety climates, and hence safer behavior.

As noted above, study after study routinely demonstrate that transformational is effective in the most diverse situations ranging from genetic studies (McCarthy, Johnson, Vernon, Molson, Harris and Jang 1998), within community organisations

(Bass and Avolio 1998), the military (Dvir, *et al* 2002) and organisational safety environments (Zohar 2002 and Barling *et al* 2002).

2.10 Transactional and Transformational Leadership Together

Originally regarded as conflicting with one another by Burns (1978), transactional and transformational leadership have recently been regarded as complementing one another (Bass and Avolio 1993). Consistent evidence has shown the superiority of transformational over transactional leadership in being linked to positive aspects of performance (Jung 2001). As a result, these two approaches should not be seen as opposing one another but rather transformational leadership is built upon transactional leadership (Robbins 1996) and is regarded as an ongoing process as opposed to just a discrete exchange between the follower and leader (Burns 1978).

Similarly, Covey (1991) regards transformational leadership as the parent of transactional leadership where transactional leadership has become increasingly important in the so-called knowledge worker age. In Covey's (2005) book The 8th Habit, he sees transactional leadership as stemming from the industrial age. While he does not negate its importance for leaders, he highlights that leaders need to display a predominately transformational leadership style in the knowledge worker age.

Covey maintains that the goal of transformational leadership is to transform people and organisations in a literal sense to change them in mind and heart. The leader needs vision, insight and understanding where they clarify the purpose and make followers behaviours congruent with beliefs, principles or values that bring about changes that are permanent, self-perpetuating and momentum building. This echoes the other leadership theorists such as Bass and Avolio (1993),

Bass (1997) initially argued that effective leadership involves both transactional and transformational leadership but with varying degrees. This was further

researched and is depicted through Bass and Avolio's (1991) "full range" leadership model. According to Bass and Avolio (1994), the optimal profile of an effective leader is represented in Figure 4 below.

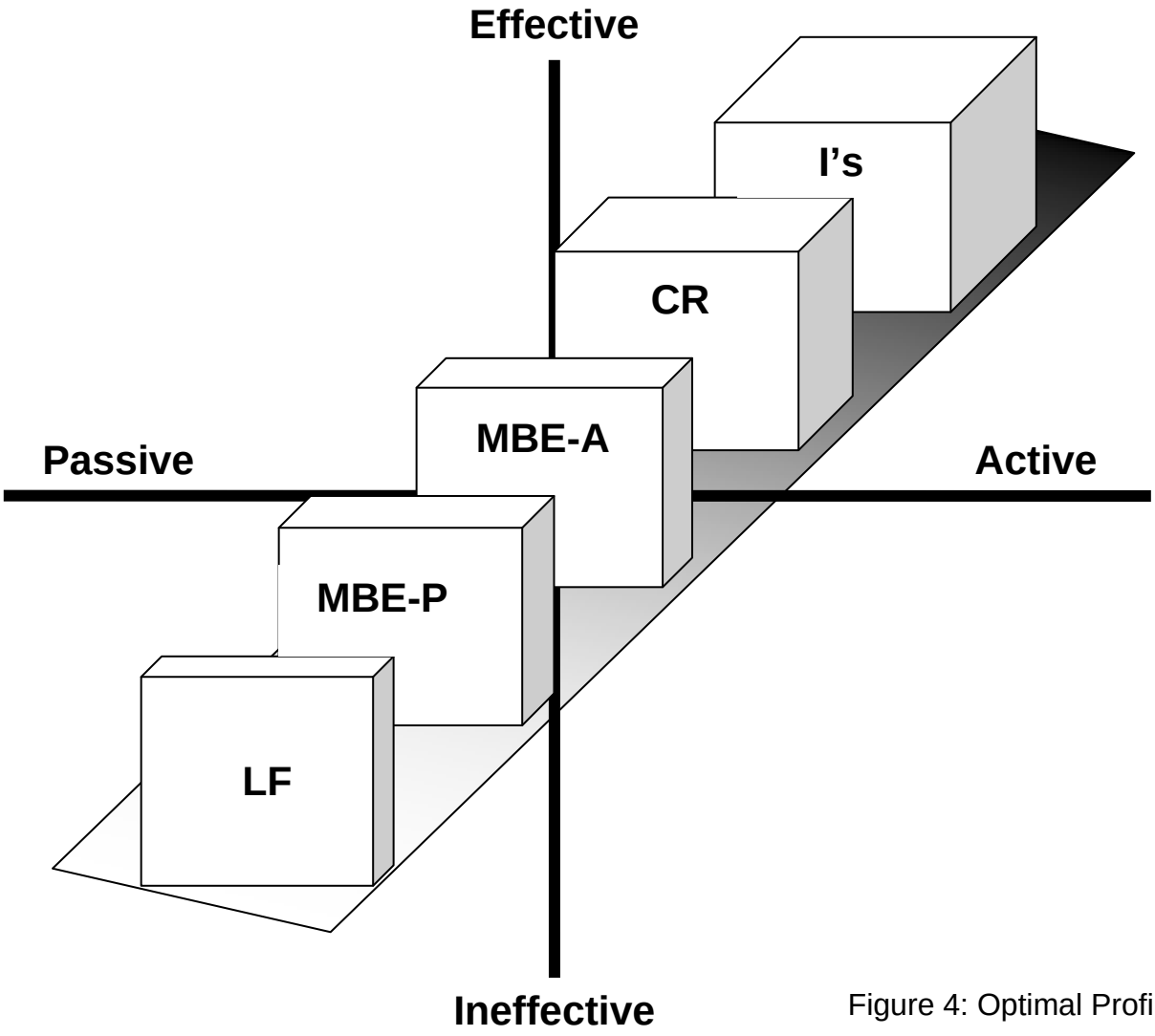


Figure 4: Optimal Profile

Figure 4: Optimal profile of the forms of leadership (Bass and Avolio 1994)

A basic premise of the "full range" leadership model is that transactional and transformational leadership are not viewed as opposite ends of a continuum. The same leader can display each of the full range of behaviours or styles (i.e.

transactional, transformational and even *laissez faire*) and thus, transformational leadership does not replace transactional leadership but adds to it by encouraging followers and colleagues to put in the extra effort. Research, development and practical applications in the 30 years since Burns' (1978) first publication on transforming leaders, has shown that transformational leadership generally generates greater follower effectiveness and satisfaction than does transactional leadership, although effective leaders certainly perform using the full range of styles (Avolio 1999; Bass 1985b, 1998; Bass and Avolio, 1993).

The depth of each dimension in Figure 4 represents theoretically how frequently or the degree to which a leader should display that particular leadership style. As a result, in theory a leader should infrequently display laissez-faire leadership and increasingly display passive management by exception followed by active management by exception and contingent reward. The optimal leadership style displayed by an effective leader should be the Four I's as identified by Bass and Avolio (1994) in conjunction with the components of transactional leadership above.

Bass and Avolio (1994) argue that any leadership profile which differs from the form depicted in Figure 4 will produce sub-optimal results. Although leaders can be both transformational and transactional when appropriate, transactional leadership is often a prescription for lower levels of performance or non-significant change, according to a number of large scale surveys of industrial, military, governmental, and religious leaders (Bass and Avolio 1993; Avolio and Bass 1988) and other investigators (Hoover 1987; Lowe *et al* 1996; Murray 1988; Onnen 1987).

Koh, Terborg and Steers (1991) noted greater commitment from school teachers and students if their principals were rated more transformational than transactional. Similarly, in the Philippines, Catanyag (1995) observed that schools prepared their students more efficiently when school principals obtained higher transformational scores from teachers.

International studies in diverse organisational settings revealed that context and contingencies were of importance as a source of variance in observations of transformational leadership, but the fundamental phenomena transcended organisations, cultures and countries (Bass 1997). Molero and Morales (1994) research in Spain on 40 primary health care centers in which leaders led teams of family doctors, pediatricians, nurses, and clerks showed that leaders were seen as more legitimate in the eyes of team members in those centers where the leaders displayed transformational leadership. Team members found it was more acceptable for such leaders to organise, manage, control and evaluate their performance. Conflict was lower, interpersonal relations improved and a greater feeling of autonomy existed when the leader was seen as transformational.

In Austria, Geyer and Steyrer (1998) demonstrated that higher transformational ratings of 120 branch bank managers predicted long-term branch market share, customer satisfaction and subordinate satisfaction. Parallel findings were obtained in studies of managers in a Chinese state enterprise (Davis, Gauw, Luo and Maahs 1997), Polish and Dutch managers (den Hartog 1997), and supervisors on North Sea oil platforms off of Scotland (Carnegie 1995).

All leaders are transactional, to some extent, exchanging rewards for performance, but leaders are also transformational, going beyond simple leader-subordinate exchange relations (Doherty and Danylchuk 1996). This theory has been confirmed many times (Hater and Bass 1988; Howell and Avolio 1993; Yammarino, Spangler and Bass 1993).

When working optimally together, the transformational and transactional leadership process builds trust, respect and a wish to work collectively towards the same desired future goal. This is reflected in the augmentation model of transactional and transformational leadership in Figure 5 which indicates that transformational leadership is the augmentation and extension of transactional leadership.

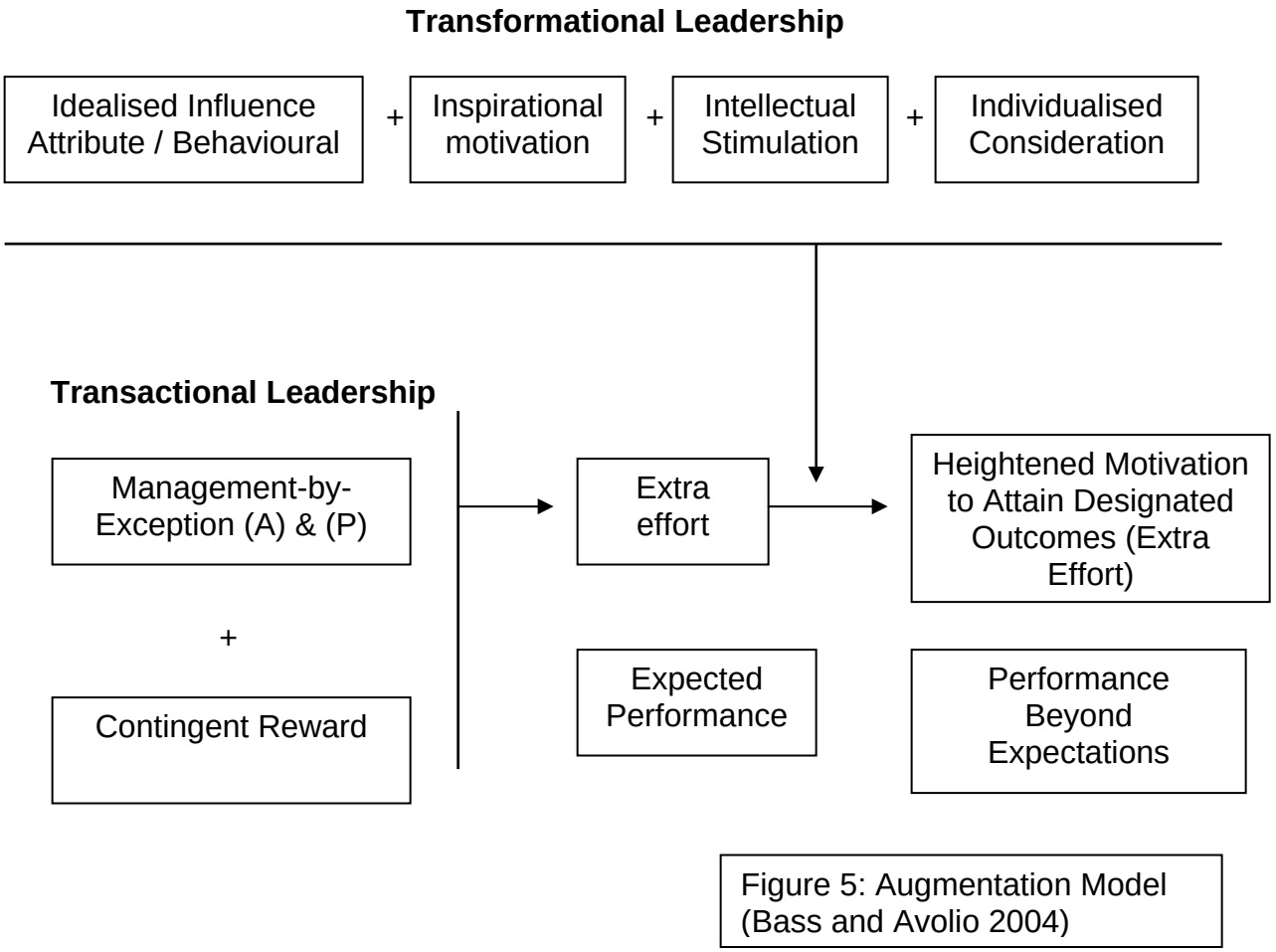


Figure 5: The Augmentation Model of Transactional and Transformational Leadership

Bass (1985a) proposed a model for the relationship between transformational and transactional leadership, suggesting that transformational leadership augments transactional leadership in predicting effects on subordinates' satisfaction and other outcomes. Specifically, transformational leadership accounts for unique variance in ratings of performance above and beyond that accounted for by active transactional leadership.

The augmentation effect was replicated by Seltzer and Bass (1990) in their work done with MBA students where 300 part time students described their leaders at their full time jobs. For another sample of 130 MBA students, the augmentation effect held up when a leader's leadership ratings and the effectiveness of their outcomes were correlated.

Waldman, Bass, and Yammarino (1990) confirmed the augmentation effect using a sample of naval officers and independently collected performance criteria. These results demonstrate a fundamental point concerning Bass's original (1985a) model of leadership by confirming that transactional leadership provides a basis for effective leadership, but the full range of potential is achieved through both, not either one versus the other style of leadership.

In conclusion, the literature review above has detailed some of the main theories of leadership since the 1920's and into modern times. Much of this literature has laid the foundations for leadership research today. By understanding the various schools of thought in leadership studies, one is able to contextualise the literature relating to transactional and transformational leadership. The limited amount of research surrounding employees' perceptions of effective leadership in business has been addressed followed by detailed analysis of the theories of transactional and transformational leadership.

Numerous studies have been completed regarding the subject of transactional and transformational leadership, however, no studies have specifically address these leadership theories in relation of employee's perceptions of an effective leader at different levels of an organisation.

2.11 Research Questions

The literature and research above intends to provide an overall view of the foremost leadership theories, specifically addressing, in detail, the theories of transactional and transformational leadership. The following research questions arise from the preceding sections of the literature review, with the intention of addressing the overall research problem and sub-problems stated in section 1.3.

2.11.1 The Research Questions

Question One

What are employees overall perception's of effective leadership against a transactional and transformational leadership framework?

Question Two

To what extent, if any, do employees' perceptions of the overall effectiveness of transactional and transformational leadership in business differ according to their level of seniority in an organisation?

Question Three

To what extent, if any, does an employee's level within an organisation impact his/ her perception of effective transactional leadership?

Question Four

To what extent, if any, does an employee's level within an organisation impact his / her perception of effective transformational leadership?

2.11.2 Literature Relating to the Research Questions

Following from the literature review and in relation to the research questions above, there is little evidence that studies regarding followers' perceptions of effective transformational and transactional leadership have been sufficiently researched. Furthermore, no evidence is found of research relating to employees perceptions of effective leadership at various levels of an organisation within the same context as this study.

Similarly there is a lack of research covering the overall topic of what follows consider an effective leader to be. A recent study by Kouzes and Posner (2004) which began in the early 1980's, asked respondents "What values (personal traits or characteristics) do you look for and admire in your leader?". Over 225 different values, traits and characteristics were initially identified and this was reduced to twenty categories and seven qualities. The key to this study was the fact that employees were asked who they would be willing to follow as opposed to following someone because they had to (Kouzes and Posner 2004). Only four characteristics continually received over fifty percent of responses from across countries and continents. These were honesty, forward-looking, competence and inspiring (Kouzes and Posner 2004).

Kouzes and Posner's main argument lies in the fact that these characteristics have remained constant over two decades which have included times of recession, growth, surges in technology and globalisation. They go on to say that these key characteristics are what communications experts call "source credibility" and conclude that this credibility is the foundation of leadership.

While this study made inroads into follower's perceptions of an effective leader, it focused on the characteristics, values and traits of a leader and not a complete leader / follower relationship which looks beyond character traits. The characteristics identified above by Kouzes and Posner (2004) can be aligned to some of the dimensions of transformational leadership however it has failed to identify the extent to which, if any, followers may require transactional leadership.

Hollander's (1997) work on "How and Why Active Followers Matter in Leadership," states that since followers are the people who experience the reality of a leadership style, they are uniquely able to evaluate it and its effects. Subordinates see an effective leader as being supportive and having good communication skills. They provide a clear message of what is expected from subordinates and support them in a difficult situation. The leader delegates and empowers followers while being fair and results orientated.

Hollander's (1958, 1964) Idiosyncrasy Credit Model described leadership as a dynamic process in which the circumstances encountered by the leader are constantly changing and the success of the leader is ultimately determined by the support of the followers. Hollander's (1997) work provided a refreshing change of view of leadership away from the traditional focus of the leader as the central topic of discussion.

The "Idiosyncrasy Credits" (Hollander 1958) accrue from the perceptions of followers who grant "credits" when a leader has conformed to the norms of the group and demonstrated competence in helping the group achieve their objectives. These credits are exchanged for the benefits given to the leader where they can deviate from the group's norms, freeing them to be innovative, creative and produce meaningful rewards for the group. If these deviations bring more benefits to the group, the followers grant more credits to the leader. When there are insufficient credits attributed to the leader, they may lose the support of the group where the followers may become dissatisfied with the leader and question his / her ability.

Similarly, Wood and Vilkinas (2003) argued that there are three important characteristics which have been identified by direct reports that distinguish an effective leader, namely a humanistic approach, positive thinking and a high sense of achievement. They also highlight the importance of integrity.

From the related literature and theories of leadership, it is evident that there is very little research or empirical evidence to support the extent to which employees

share a common perception of effective leadership in business. Ultimately, a detailed, holistic leadership framework has not been addressed by the previous research studies in relation to the research question at hand.

Likewise, no research can be found on employees perceptions of effective leadership based on their level in an organisational hierarchy. Even though the studies mentioned above have touched on this topic, there is still room for further evaluation and analysis hence the purpose of this research.

3 RESEARCH METHODOLOGY

This chapter describes the methodology employed to uncover the research questions. Firstly the research paradigm will be discussed followed by the research method and research design. A description of the process used to collect and analyse the data is covered in the closing section. The methodology described is the basis for the presentation of the results in Chapter 4 and their analysis and interpretation in Chapter 5.

3.1 Research Method

The research intends to make use of a questionnaire to facilitate the collection of the primary data required by this study. The research paradigm is quantitative in nature and intends to use an analytical survey method that requires statistical analysis.

3.1.1 Quantitative Study

The research questions in section 2.9.1 lend themselves to quantitative analysis in that a quantitative research methodology is appropriate when quantifiable measures of variables of interest are possible. Qualitative methods, on the other hand, are appropriate when phenomena under study are complex, social in nature, and do not lend themselves to quantification (Liebscher 1998).

Quantitative research design is characterised by the assumption that human behaviour can be explained by “social facts” which can be measured by using the deductive logic of the natural sciences (Horna 1994). Hoepfl (1997) argues that qualitative methods are appropriate when one needs to firstly identify the variables that might later be tested through quantitative analysis. The research intends to

make use of a questionnaire which has been formulated through qualitative analysis and can now be used for quantitative purposes.

3.2 The Research Population

The population comprised of employees employed on a full time basis in South Africa in organisations that the researcher had pre selected and had access to. These employees varied across industries, organisations and levels of seniority within organisations.

3.3 Sample Size and Selection

Conveniently selected organisations and employees were approached to take part in the survey. The researcher made use of a personal network including contacts within the Sector Education and Training Authorities (SETA) for Financial, Accounting, Management Consulting and other Financial Services (FASSET's) to draw participants for the study. In addition, the members of the Young Presidents Organisation (YPO) were targeted to solicit responses from top and senior management.

The researcher expected a sample size of between 100 to 400 respondents.

3.4 Sampling Methodology

The respondents selected for the research varied in seniority across the participating organisations. The sample was convenient in nature in that the researcher made use of respondents based on ease of access and their

availability. Where the researcher did not receive sufficient responses from a certain level of seniority within the proposed organisational structure, the researcher subsequently ‘targeted’ respondents at this level to gather sufficient data.

3.5 Data Collection

3.5.1 Overview

All potential organisations and respondents were approached telephonically or via email through the researcher’s personal contacts and network. Where respondents were interested in taking part in the study, the researcher arranged a meeting with the relevant person to explain the study in more detail or liaised with them via email where a meeting was not possible. Those companies that were willing to partake in the survey were sent the relevant questionnaire and asked to identify an internal contact person / co-ordinator.

3.5.2 Measurement Instrument

The research made use of the latest version of the Multifactor Leadership Questionnaire Form 5X (MLQ) developed by Bass and Avolio (1990). The MLQ has been used extensively in leadership research, including nearly 200 research programs, doctoral dissertations, and master's theses around the world (Avolio 1995). The questionnaire has undergone a number of thorough and rigorous revisions over since it was first developed to provide the foundation for good scientific research (Whitelaw 2001).

The MLQ was originally developed from various sources through a series of factor analyses with the previous version, the MLQ 5R, which provided a base for selecting items that exhibited the best convergent and discriminant validities.

Following which, Howell and Avolio's (1993) preliminary results with an earlier version of MLQ 5X (MLQ Form 10), using Partial Least Squares (PLS) analysis was used to select items for inclusion in MLQ 5X. New items for MLQ 5X from recent literature distinguishing charismatic from transformational leadership were included and six scholars in the field of leadership received an earlier version of the MLQ 5X (MLQ Form 10) and made recommendations for modifying and/or eliminating items based on the conceptual model of the full range of leadership (Avolio and Bass 1991). These recommendations were included in the final development phase of the MLQ 5X.

For this study, the MLQ provided a short and comprehensive survey of 45 items which measure the required range of leadership. The survey was made available in softcopy and took approximately 15 minutes to complete and email back to the researcher. It measures the full range of leadership behaviours for transactional and transformational leadership. Respondents rate items on a five point frequency scale (1 = frequently, if not always, to 5 = not at all). The research version provides ordinal data and scoring for each leadership dimension as well as a technical report of the MLQ research. The package is specifically designed for conducting survey research (http://www.mindgarden.com).

The researcher purchased the MLQ from Mind Garden Inc, however, due to copyright permissions, is unable to include a full copy of the questionnaire in this paper. The researcher applied for and was granted the relevant permissions for use in academic research (Appendix C) which allows the researcher to publish a sample of the questions in the MLQ. The following is a sample of questions that were distributed to respondents with the prefix "In my opinion, an effective leader in business should …":

1. Provide me with assistance in exchange for my efforts;

2. Talk about his / her most important values and beliefs;

3. Express confidence that goals will be achieved;

4. Direct my attention towards failures to meet standards; and

5. Articulate a compelling vision for the future.

Through the responses to all the questions in the MLQ, the MLQ measures the following dimensions of leadership (MLQ Pty Ltd. 2004):

I. Transformational Leadership

- Idealised Influence (Attributes)
- Idealised Influence (Behaviours)
- Inspirational Motivation
- Intellectual Stimulation
- Individual Consideration

II. Transactional Leadership

- Contingent Rewards
- Management-by-exception (Active)
- Management-by-exception (Passive)

III. Non-transactional Leadership

- Laissez-Faire

IV. Outcomes of Leadership

- Extra Effort
- Effectiveness
- Satisfaction

Within the context of the questionnaire, the questions relating to Laissez-Faire leadership measure a lack of leadership or non-leadership of an individual. Similarly, the Outcomes of Leadership component / questions refer specifically to the respondent's experience of their current leader's effort, effectiveness and satisfaction and were therefore not applicable to this study.

As a result, and due to the nature of the research question, the components relating to Laissez-Faire Leadership and Outcomes of Leadership were not assessed and the questionnaire was adapted accordingly. Permission for such adaptation has been granted by Mind Garden Inc, 2008 (Appendix D). The adaptation meant that the questionnaire had 32 questions and took approximately 10 minutes to complete and respondents were asked to complete the questionnaire stating their perceptions of an effective leader in business and not their current leader. No questions relating to transactional and transformational leadership were eliminated.

Over and above the demographical information collected, respondents were required to indicate their salary band for the purpose of determining their level seniority in the organisation as required by this study. Respondents were not required to disclose their name in order to ensure anonymity.

3.5.3 Administration

The data was collected as follows:

- The co-ordinator and respondents selected were emailed a soft copy of the questionnaire
- The survey was to be completed electronically and submitted directly to the researcher or placed in a return box made available to respondents.

- The researcher also delivered hard copies of the MLQ to co-ordinators for distribution to employees who do not have access to a computer or email. These surveys were collected by the researcher once complete.

- Anonymity of the respondents was guaranteed through the use of an online questionnaire. Respondents were not required to disclose their name.

3.6 Validity

"Validity is concerned with the soundness, the effectiveness of the measuring instrument" (Leedy 1993:40). It refers to the accuracy or the truth of the data and the findings that are produced by the research.

The MLQ has been specifically designed to measure a full range of leadership behaviours focusing on the extent to which a leader does / should display transactional or transformational leadership. The widespread usage of the MLQ by academics has ensured that the MLQ has been scrutinised and validated objectively (Whitelaw 2001).

The reliability and validity of the MLQ has been established by Bass and Avolio (2000) for each of the scales with Cronbach's coefficient alpha's ranging from .74 to .94. In addition, the constructs validation has been documented which incorporates evaluation by an expert panel where their recommendations were included in the final instrument. This includes the validation and cross-validation of the factors in 14 samples using the MLQ (Bass and Avolio 2000).

3.6.1 External Validity

External validity is the degree to which the results of the study are generalisable beyond the immediate study sample and situation. In other words, it is the extent to

which the conclusions drawn from the study can be generalised to other cases (Leedy 1993).

While the sample to be used in this research is convenient by nature, the researcher made every attempt to obtain a high degree of external validity. However, due to the relatively small sample size and potential convenience of the sampling, it may not be possible to generalise the findings of the research to other cases.

3.6.2 Internal Validity

Internal validity refers to the extent to which changes in the dependent variable can be attributed to the independent variable as opposed to the research design and minimise alternative explanations for the resulting data (Leedy 1993).

The MLQ has produced consistent results across a wide variety of organisations and countries. The design of this research questionnaire has been supported through these studies. In addition, the researcher made use of a pilot study, as described below, to further test the internal validity of the MLQ.

3.7 Reliability

Reliability is concerned with the consistency and dependability of the measurement instrument or the degree to which it finds the same answer over time, across similar groups and irrespective of who is administering it (http://www.bath.ac.uk/e-learning/gold/glossary.html).

The MLQ's reliability has been confirmed in various studies as a predictor of a leader's performance across a broad range organisations (Bass 1997). This includes over 35 references at The Gold Bar Standard involving critical peer review and scrutiny in scientific journals (http://www.mlq.com.an/research_gold_bar.asp).

Given the extent to which the MLQ has been revised, used and tested during numerous studies, one can be increasingly confident of its reliability as a measuring instrument. The MLQ provided far more accurate and reliable results for the study than had the researcher devised an independent questionnaire.

3.8 The Pilot Study

A pilot study should be used to test the reliability and validity of a measurement instrument which has never been previously tested or used in practise (Leedy 1993). While the MLQ has proven to be reliable and valid in over 200 previous studies, the researcher ran pilot tests to ensure these criteria were met for *this* particular study.

The pilot study was conducted to ensure that the data generated from the MLQ could be used for the purposes of this research and analysed accordingly. Should the MLQ have proven to be unreliable or invalid, the researcher would have devised an appropriate alternative questionnaire. Ultimately this proved to be unnecessary and the revised MLQ was used in the study.

The pilot study involved distributing the questionnaire to six potential respondents via email. Each respondent was required to follow the instructions, complete the questionnaire and send their response to the researcher. Following which, the researcher contacted each individual to gain feedback on the questionnaire in terms of the simplicity of the instructions, the format, ease of completion and understanding the requirements. Feedback from the pilot respondents was included in the final official questionnaire distributed by the researcher to collect the data.

3.9 Data Analysis

The statistical technique used to analyse the data from the MLQ is discussed below.

Descriptive statistics is the basic form of data analysis and is used to describe the general characteristics of a set of data or the central tendency of scores. Based on descriptive statistics, this research will make use of the means and standard deviations from the data collected by the MLQ survey to determine the result and findings.

The mean is an arithmetic average of the observed values in the distribution divided by the number of observations while the standard deviation refers to the positive square root of the variance of scores.

Factor analysis was extensively used by the authors of the MLQ survey to determine those factors relating specifically to transitional and transformational leadership respectively. The validity of which has been established by the creators (Mind Garden Inc, Multifactor Leadership Questionnaire Manual and Sample Set, 2004) As indicated above, transformational leadership is comprised of factors relating to idealised influence, inspirational motivation, intellectual stimulation and individual consideration while transactional leadership relates to contingent reward and management by exception. The MLQ scale scores are therefore the average scores for each factor listed.

The degree to which a respondent define the effectiveness of leadership in relation to each factor is calculated as the composite mean of the scores for each factors. This is determined by summing the items and dividing the sum by the number of items making up that scale. Likewise, to obtain the mean of the overall preferred leadership style (i.e. transformational or transactional leadership), the same method is applied.

The standard deviations were calculated to determine the measure of variability around the mean. The standard deviation per factor and overall leadership style were also calculated.

In addition, Analysis of Variance (ANOVA) is a general data analysis technique used to test that the means amongst two or more groups are equal. The factor or independent variable is controlled by the researcher. In this case, the independent variable is the level of seniority in the organisation based on the employee's salary. As a result, one-way ANOVA were applied to the data to determine the variance and whether or not there was a significant difference between the means of the respondents in relation to the transactional and transformational leadership factors.

Following the research methodology describe above, the researcher was able to analyse present and interpret the data and results collected during the course of this study. These results will now be presented in the chapters that follow.

4 PRESENTATION OF RESULTS

4.1 Introduction

This chapter presents the results of the statistical analysis completed on the responses received to the MLQ questionnaire. It begins with a brief discussion of the results of the pilot test completed followed by the demographics on the responses received. This is followed by the analysis used to determine the descriptive statistics required to answer the research questions. Following which, ANOVA tests were completed and are presented here for analysis and interpretation in Chapter 5.

4.2 Pilot Study

As indicated in the research methodology, a pilot study was completed to test the reliability and validity of the MLQ given the requirements of this study and the specific nature of the research questions at hand. The adapted MLQ, containing 32 questions, was sent to 10 respondents with the purpose of gaining feedback on the layout and structure of the questionnaire as well as the phrasing of the questions / statements.

The pilot respondents' feedback and comments mainly related to cosmetic issues regarding the questionnaire and the clarity required in the interpretation of certain statements. It was found that the wording of certain statements relating to transactional and transformational leadership on the original questionnaire purchased from MindGarden related specifically to rating an individual as a leader and not a generic statement for the assessment of what respondent perceive to be effective leader. As a result, minor revisions were made to the statements, without

altering their meaning, to reflect the requirements of the study. Permission for such amendments was obtained from MindGarden (Appendix D).

It was also found that the pilot respondents had not paid attention to the instructions relating to their perceptions of an effective leader but had rather scored an individual in mind based on their previous experience / interaction with a leader or rated their current leader.

As a result, changes were made to the structure, layout and formatting of the questionnaire to address this and the other weaknesses identified above. The pilot test was redone with the same respondents to ensure all necessary amendments had been made and the original MLQ has not been altered in any way that would affect the outcome of this research.

4.3 Correlation of Salary with Occupation Level

Prior to the analysis and interpretation of the results, Appendix A illustrates the correlation table used to determine employees levels within an organisation based on their annual salary band. As part of the collection of the demographical information, respondents were requested to indicate their salary band. In brief, the following table indicates the salary bands used and the correlating organisational level used in this study.

Table 2: Correlation table of salary versus level of seniority in an organisation

Total guaranteed cost to company package per annum including incentives, commissions and guaranteed bonus	Employment Equity - occupational level
Min: R 750 395 Max: None	Top and Senior management
Max: R 750 394 Min R 322 922	Professionally qualified and experienced specialists and middle management
Max: R 322 921 Min: R 154 941	Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents
Max: R 154 940 Min: R 0	Semi-skilled and discretionary decision making Unskilled and defined decision making

For the remainder of the presentation, analysis and interpretation, the correlating occupational level will be used as opposed to respondent's salary bands.

4.4 Demographics of the Sample

The questionnaire was distributed in May 2008 to approximately 220 potential respondents and a total of 131 responses were initially received indicating an initial response rate of 60%.

An insufficient number of responses was received from the Top and Senior Management (i.e. individuals earning in excess of R 750 396 per annum) occupation level from the surveyed population. An intermediary was approached to assist with obtaining an additional eleven respondents to complete the questionnaire.

As a result, a total of 142 responses were received achieving a response rate of 64%. Respondents included those working within the financial services, tourism and leisure, construction, telecommunications and retail industries.

One questionnaire was discarded as no salary band was indicated as required for the purposes of this study. The remaining 141 responses therefore formed the basis of the results.

The demographics of the sample are presented in the following tables. The tables indicate how many responses were received per occupational level. Each respondent was asked to indicate their salary band which was correlated to their occupational level as per Appendix A.

Table 3: Number of responses received per occupational level

Occupation Level	**Number of Responses**
Top and Senior management	30
Professionally qualified and experienced specialists and middle management	42
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	36

Occupation Level	Number of Responses
Semi-skilled and discretionary decision making, unskilled and defined decision making	33
Total number of responses received	141

Other demographical data collected included the gender and age groups of the respondents. A breakdown of the total gender of the respondents per occupational level is presented in the following table.

Table 4: Gender of respondents per occupational level

Occupational level	Female	Male
Top and Senior management	11	19
Professionally qualified and experienced specialists and middle management	12	30
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	25	11
Semi-skilled and discretionary decision making, unskilled and defined decision making	29	4
Total number of respondents per gender	77	64

The overall number of responses received per age group and occupational level is presented in the following table.

Table 5: Age of the respondents per occupational level

	Age			
Occupational Level	**Less than 25 years old**	**26-44 years old**	**45-60 years old**	**More than 60 years old**
Top and Senior management	0	13	13	4
Professionally qualified and experienced specialists and middle management	0	23	14	5
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	30	5	0
Semi-skilled and discretionary decision making, unskilled and defined decision making	13	15	5	0
Total number of respondents per age group	14	81	37	9

4.5 Scoring the MLQ

The scoring of the responses was completed as per the MLQ scoring sheet provided by MindGarden when purchasing the questionnaire. The following table represents the rating scale and corresponding scoring of the MLQ questionnaire.

Table 6: Frequency of scores for calculation of the MLQ score

Rating Scale	**Score**
Frequently, if not always	4.0
Fairly often	3.0
Sometimes	2.0
Once in a while	1.0
Not at all	0.0

The 32 questions on the questionnaire were made up of four questions per component of transactional and transformational leadership as listed in section 3.5.2, which details the measurement instrument. This is in line with the original questionnaire purchased from MindGarden and no alterations were made to the number or meaning of the questions relating to transactional and transformational leadership, however, only certain section of the MLQ were administered to respondents. The scoring sheet was revised to compensate for the deletion of the questions relating to Laissez-faire leadership and the Outcomes of Leadership as these were not measured as part of to this study.

The scoring of the MLQ is the average scores for each individual leadership component within transactional and transformational leadership on that scale e.g. the average scores for the questions relating to Management-by-exception (Active). The score is derived by summing the scores for each component and dividing this by the number of questions making up that scale. Where a question

was left blank, the total for that component was divided by the number of items answered as per the instruction on the MLQ scoring sheet.

4.6 Presentation of Results

Apart from the demographical breakdown and information presented above, the following presentation and analysis of data was completed to determine the key findings relating to this study. As indicated in the research methodology, the questionnaire required the analysis of the relevant descriptive statistics and ANOVA tests to answer the research questions at hand. The complete results of the applicable descriptive statistics and ANOVA tests are presented in Appendix E and F respectively. The relevant findings are presented graphically and in the ANOVA tables below for ease of reference and viewing. It must be noted that the analysis and interpretation of the results presented in this chapter occurs in Chapter 5.

The results relating to each research question posed in this study in section 2.9.1 are presented systematically. Each research question is restated for completeness sake.

4.6.1 Presentation of Results for Research Question One

Research question one

What are employees overall perceptions of effective leadership against a transactional and transformational leadership framework?

Descriptive statistics were completed with reference to research question one. The results of the respondents overall perception of effective leadership in business within the transformational and transactional leadership framework is presented graphically in the Figure 6 and analysed in Chapter 5.

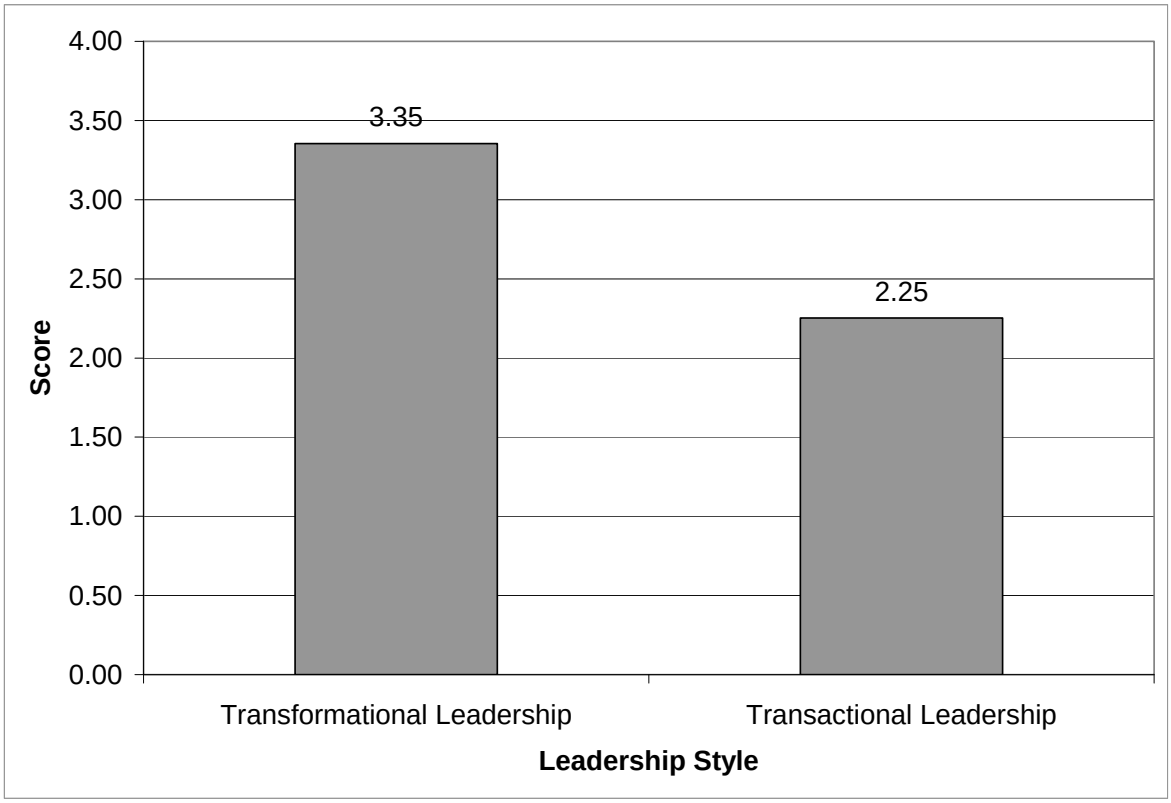
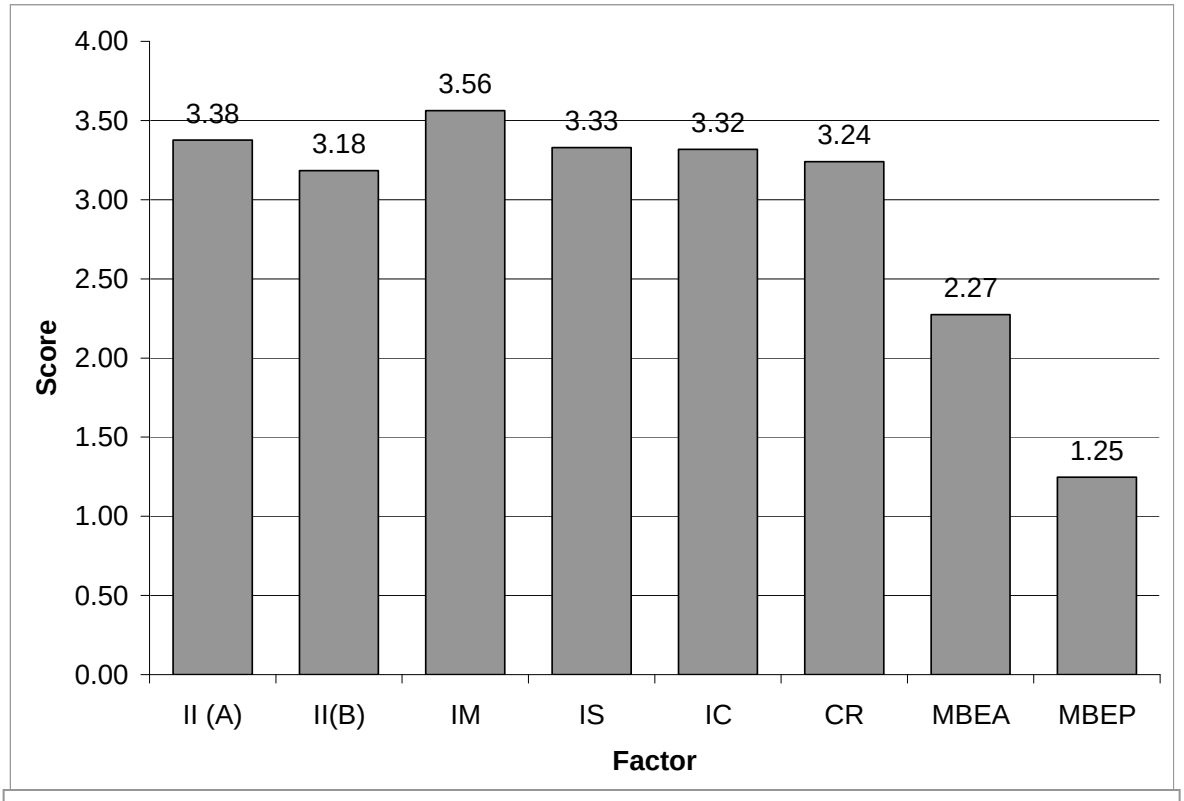


Figure 6: Mean scores of respondents' perceptions of effective transactional and transformational leadership

Following which, further analysis was conducted to reflect the respondent's overall perceptions of effective leadership in business as per the eight attribute prescribed within the transformational and transactional leadership framework. This is shown in the next figure.



Legend:
II (A) = Idealised influence (attribute)
II (B) = Idealised influence (behaviour)
IM = Inspiration motivation
IS = Intellectual stimulation
IC = Individualised consideration
CR = Contingent reward
MBEA = Management-by-exception (active)
MBEP = Management-by-exception (passive)

Figure 7: Mean scores of respondents' perceptions of effective transformational and transactional leadership per attribute

4.6.2 Presentation of Results for Research Question Two

Research question two

To what extent, if any, do employees' perceptions of the overall effectiveness of transactional and transformational leadership in business differ according to their level of seniority in an organisation?

In order to ascertain whether or not employees' overall perceptions of effective leadership vary according to their level of seniority within an organisation, an analysis was completed per level of seniority in an organisation and is shown in the following figure.

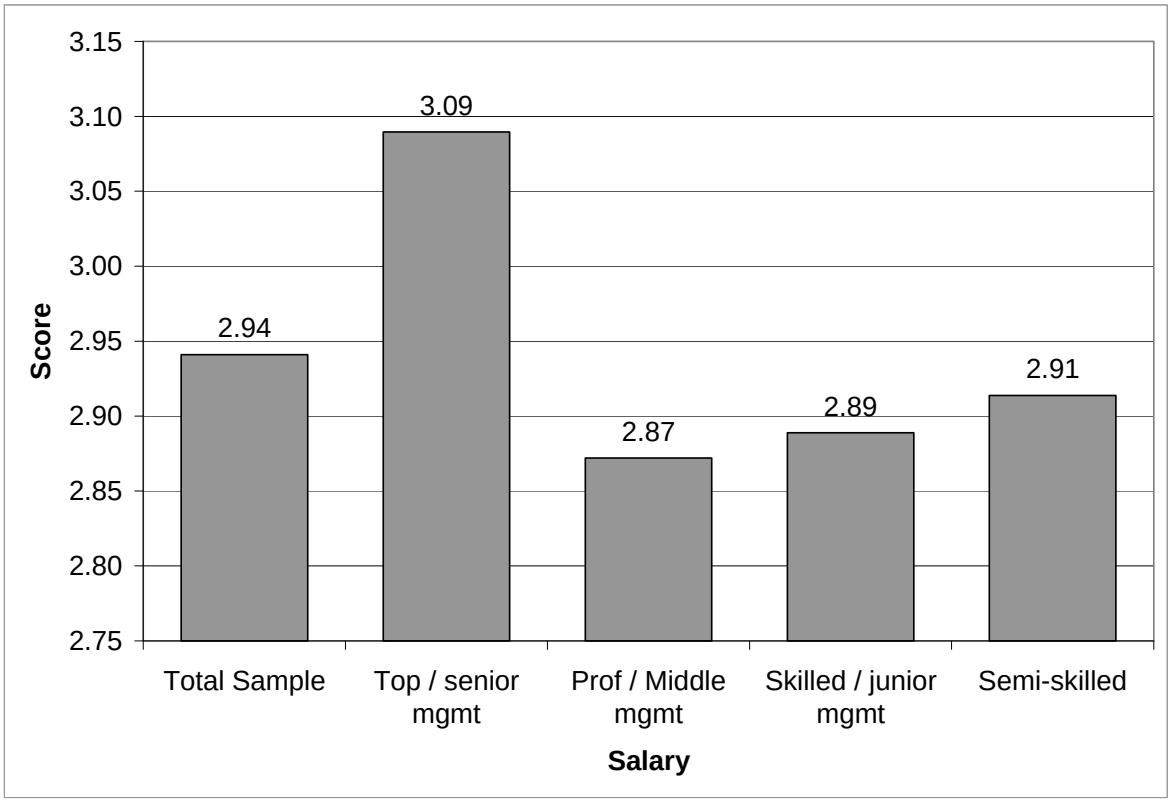


Figure 8: Total mean scores for transformational and transactional leadership per level of seniority

As indicated in Chapter 3, ANOVA analysis is used to determine whether or not the variance between the data per level of seniority in an organisation is statistically significant or not. This statistical method analyses the variance of data for two or more samples unlike a *t*-test which is only able to indicate the significance of the variation between two groups.

The corresponding ANOVA test relating to research question two was completed on the data presented graphically above collected per level of seniority per organisational level and is presented in the following table. The ANOVA table indicated the organisational levels referred to in this study under the heading *Groups*. The *Count* relates to the number of factors analysed when the ANOVA test was run. The *Sum, Average and Variance* define the sum of the scores for each level, their average and the variance of those scores respectively.

Table 7: ANOVA test per dimension of transactional and transformational leadership per level of seniority

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top and senior mgmt	8	24.717	3.090	0.843
Prof / middle mgmt	8	22.976	2.872	0.587
Skilled / junior mgmt	8	23.111	2.889	0.541
Semi Skilled	8	23.311	2.914	0.571

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.24	3	0.081	0.127	0.943	2.947
Within Groups	17.80	28	0.636			
Total	18.04	31				

4.6.3 Presentation of Results for Research Question Three and Four

The results of the data relating to research question three and four will be presented simultaneously.

Research question three

To what extent, if any, does an employee's level within an organisation impact his / her perception of effective transactional leadership?

Research question four

To what extent, if any, does an employee's level within an organisation impact his / her perception of effective transformational leadership?

The following figure indicates the overall means scores obtained from the MLQ responses for transformational and transactional leadership, when assessed independently, per level of seniority within an organisation. The scores signify respondents' perceptions of an affective leader in business based on the two aforementioned leadership styles. While next figure gives an initial indication of the results relating to research question three and four, these findings can be seen more comprehensively through the results of the ANOVA tests presented further on in this chapter.

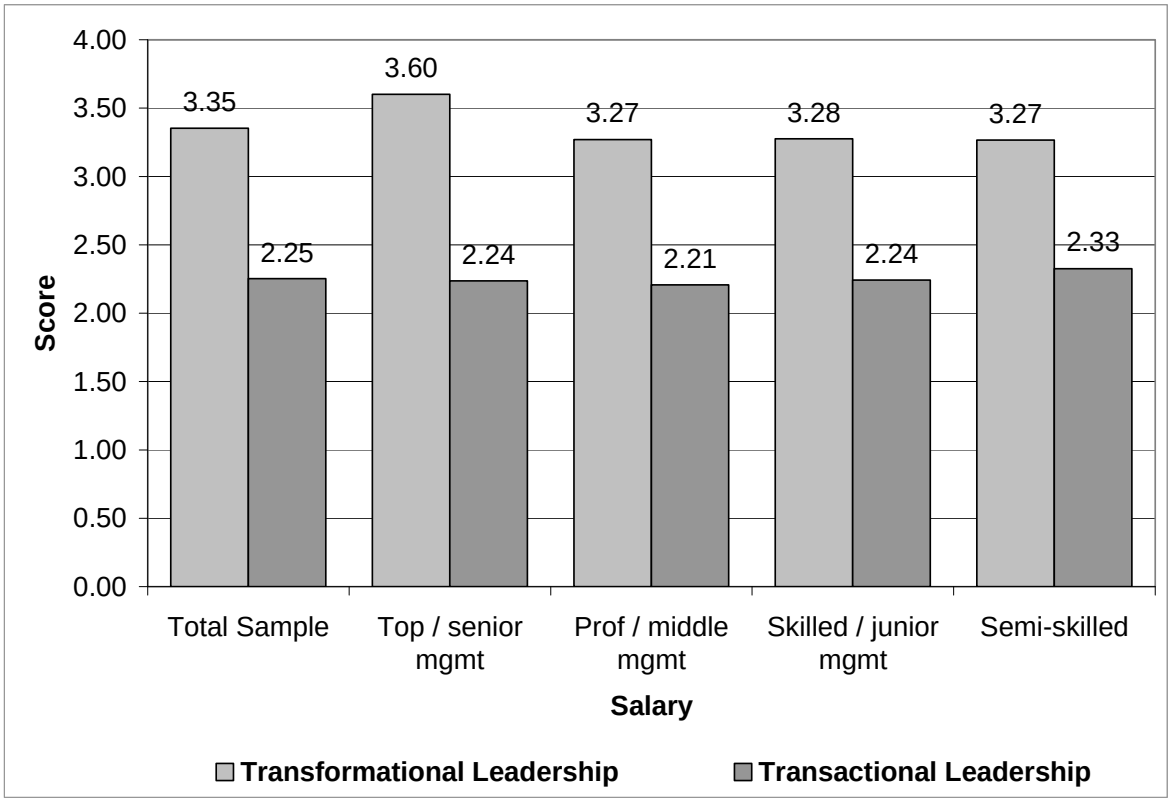
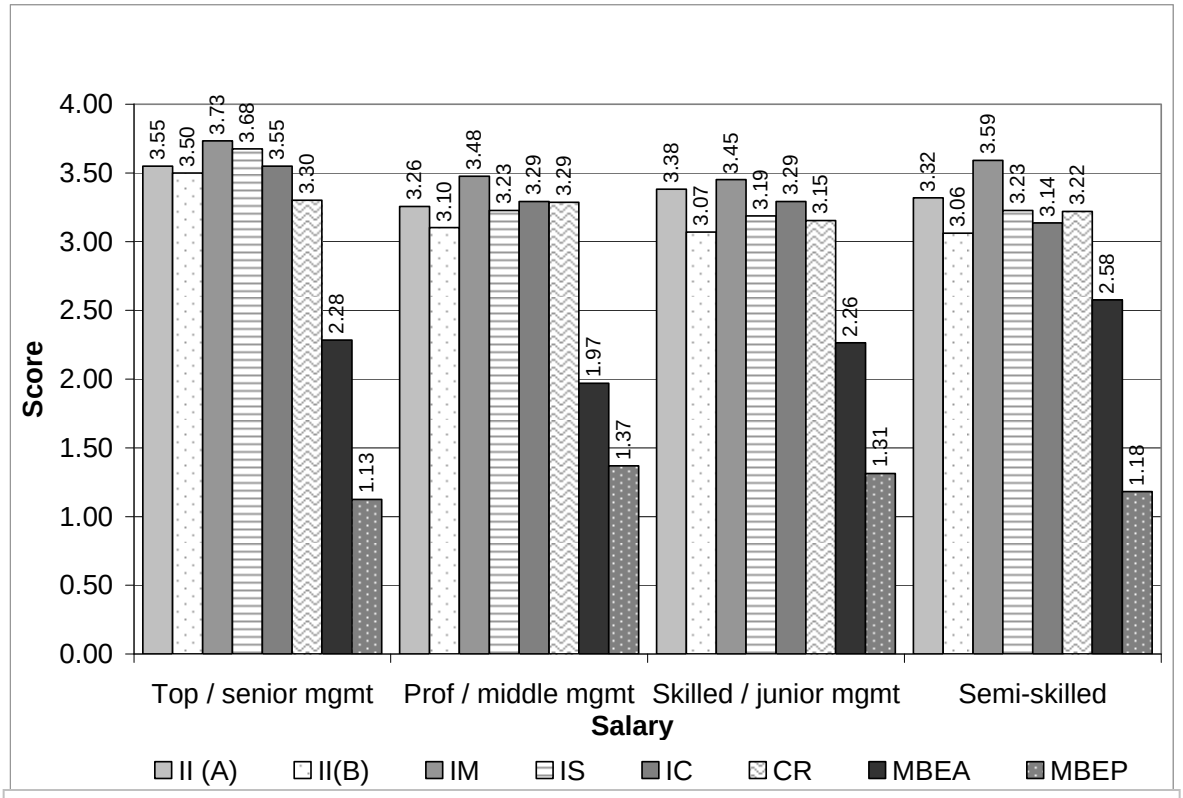


Figure 9: Overall mean scores for transformational and transactional leadership per level of seniority

In addition, a detailed analysis was completed to determine the respondents' perceptions an effective leader for each transformational and transactional leadership attribute per their level of seniority in an organisation. Figure 10 details the results of this analysis.



Legend:
- II (A) = Idealised influence (attribute)
- II (B) = Idealised influence (behaviour)
- IM = Inspiration motivation
- IS = Intellectual stimulation
- IC = Individualised consideration
- CR = Contingent reward
- MBEA = Management-by-exception (active)
- MBEP = Management-by-exception (passive)

Figure 10: Mean scores of respondents' perceptions of effective transformational and transactional leadership attributes and level of seniority

4.6.4 ANOVA Tests for Transformational and Transactional Leadership

To expand on the previous graphs, a second and third ANOVA test was carried out to determine whether or not employees' level of seniority in an organisation impacted their perceptions of effective leadership where transformational and transactional leadership were analysed independently. The results of these two tests are seen below in table 8 and table 9 respectively.

Table 8: ANOVA of transactional leadership per level of seniority

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top and senior mgmt	3	6.708	2.236	1.184
Prof / middle mgmt	3	6.625	2.208	0.961
Skilled / junior mgmt	3	6.729	2.243	0.847
Semi Skilled	3	6.977	2.326	1.085

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.023	3	0.008	0.008	0.999	4.066
Within Groups	8.155	8	1.019			
Total	8.178	11				

Table 9: ANOVA of transformational leadership per level of seniority

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top and senior mgmt	5	18.008	3.602	0.010
Prof / middle mgmt	5	16.351	3.270	0.018
Skilled / junior mgmt	5	16.382	3.276	0.023
Semi Skilled	5	16.333	3.267	0.042

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.410	3	0.137	5.855	0.007	3.239
Within Groups	0.373	16	0.023			
Total	0.784	19				

The final ANOVA test performed was to determine whether or not there was a statistically significant difference between the various group's perceptions of effective leadership when comparing transformational leadership to transactional leadership. The results presented in the following table.

Table 10: ANOVA test for the overall scores for transformational and transactional results per level of seniority

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top and senior mgmt	2	5.838	2.919	0.932
Prof / middle mgmt	2	5.479	2.739	0.564
Skilled / junior mgmt	2	5.519	2.760	0.534
Semi Skilled	2	5.592	2.796	0.443

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.039	3	0.013	0.021	0.995	6.591
Within Groups	2.473	4	0.618			
Total	2.512	7				

The presentation of the data and statistical analysis in relation to this study and research problems has been completed above. This included the results of the pilot study and demographical data collected and more importantly the descriptive statistics and relevant ANOVA tests. The results of which will now be analysed and interpreted in Chapter 5.

5 ANALYSIS AND INTERPRETATION OF RESULTS

This chapter draws on the results presented in Chapter 4 on the MLQ results. The demographic data, descriptive statistics and ANOVA test results are analysed and interpreted to draw findings relevant to this study. Following the interpretation of the initial results presented above, further analysis and interpretation was completed and is presented in this chapter to provide more insight into the research question at hand.

5.1 Analysis and Interpretation of the Demographics of the Sample

The overall response rate of approximately 64% (*n*=141) was deemed to be good.

The overall result of the demographic data indicates respondents varied in gender, age, industry and organisational level.

A marked distinction can be found between the number of male and female respondents in the top / senior management category and the professionally qualified / middle management versus those in the skilled / junior management and semi-skilled areas. Male respondents dominated the former two categories while female respondents were predominant in the latter two categories. While the distinction is noted, it could be argued that this is reflective of the gender / salary differential which generally exists both locally in South Africa and internationally.

Similarly, the distribution of the age of respondents followed a similar pattern. Respondents over the age of 45 years old tended to dominate the top two categories of top / senior management and professionally qualified / middle management while those 44 years old and younger dominated the skilled / junior management and semi-skilled levels. This is to be expected as the older

respondents would have more working experience and would therefore generally have a higher income than the younger respondents with less working experience.

5.2 Analysis and Interpretation of the Descriptive Statistics and ANOVA Tests

5.2.1 Respondents Overall Perceptions of Effective Leadership in Business

Research question one

What are employees overall perceptions of effective leadership against a transactional and transformation leadership framework?

The results of the data indicate that overall the respondents' preference is for leaders to exhibit a higher degree of transformational leadership than transactional leadership. The mean scores from all respondents rated effective transformational leadership at 3.35 and transactional leadership at 2.25. Both scores fell within a range of 0 to 4.00.

This finding echoes the literature and previous studies using the MLQ survey that employees are fulfilled by a higher degree of transformational leadership versus transactional leadership. From time to time and to a lesser extent, employees will require some form of transactional leadership and so this element should not be neglected by leaders.

The scores obtained through the research are higher for transformational leadership and slightly lower for transactional leadership than those in previous research studies. MLQ scores collected in studies in the USA (n=27 285) revealed mean scores of 2.85 and 1.80 for transformational and transactional leadership respectively (Bass and Avolio 2004).

This variation in mean scores obtained in this study versus the other research studies mentioned above, can be attributed to the uniqueness of the research question at hand. The data collected in the aforementioned studies using the MLQ, is isolated to obtaining respondents perceptions of their current or an individual leader in terms of a transactional and transformational style of leadership and not their ideal leader. This study has distinguished itself in that respondents' perceptions of an ideal leader were elicited. Naturally the scores relating to 'ideal leadership' would be higher than the rating of 'real leaders' yet the results did not indicate perfect scores for any of the dimensions (4.0). That is to say that no factor was seen by all respondents to be a perfect leadership trait to be exhibited by leaders all the time.

The Augmentation Model on transactional and transformational leadership proposed by Bass (1985a) highlights the relationship between these two leadership styles, suggesting that transformational leadership augments transactional leadership in predicting subordinate satisfaction and superior outcomes. Transactional leadership provides the basis for effective leadership but the full potential of a leader is shown through the full range leadership model which includes a predominantly transformational leadership style.

This study has therefore gone beyond these previous finding regarding employee satisfaction and organisational outcomes to conclude that transformational leadership also augments transactional leadership when employees are asked to rate their perceptions of an ideal or effective leader, not just in relation to their levels of satisfaction and outcomes.

Following these findings above and further analysis, the below results indicate that all the attributes relating to transformational leadership, namely:

- II (A) = Idealised influence (attribute);
- II (B) = Idealised influence (behaviour);
- IM = Inspiration motivation;

- IS = Intellectual stimulation; and

- IC = Individualised consideration

all ranked within the same range between 3.18 for Idealised Influence (Behaviour) and 3.56 for Inspiration Motivation.

In terms of transactional leadership, Contingent Reward received a rating of 3.24, however, Management-by-Exception (Active) and Management-by-Exception (Passive) received ratings of 2.27 and 1.25 respectively.

As expected and in line with the studies mentioned previously which were conducted by Avolio and Bass (2004) in the USA, the scores obtained per factor were slightly higher for transformational leadership and slightly lower for transactional leadership than those uncovered in previous research studies, however, the range and distribution of the scores according to each factor is similar to previous research highlighted in this paper (Avolio and Bass 2004).

Kouzes and Posner's (2004) work highlighted in the literature review, identified subordinates ideals of an effective leader. Character traits and values including honesty, forward-looking, competent and inspirational were identified in this research. While many of these findings have been confirmed in this paper, through the similarities between these characteristics and those ascribed to transformational leadership, this study has distinguished itself from Kouzes and Posner's work in that it has identified subordinates ideals against the transformational and transactional leadership framework. It has looked beyond the character traits and value, as identified by Kouzes and Posner, to identify employee's perceptions of an ideal leader.

The specific question that received the highest overall score from all respondents related to transformational leadership and the dimension of Inspiration Motivation where respondents were specifically asked to rate the importance of a leader

expressing confidence that goal will be achieved. An overall rating of 3.65 was achieved for this question.

Conversely, the lowest rated question, which scored 0.28, related to a manager waiting for things to go wrong before taking action. This fell within the Passive Management-by-Exception dimension of transactional leadership.

Interestingly, even though Contingent Reward falls under transactional leadership, the overall score / rating achieved (3.24) fell within the range of the scores achieved for all the dimensions of transformational leadership. Employees place as much emphasis on Contingent Rewards as they do on the aspects relating to transformational leadership. They perceive that an effective leader should use systems of reward and discipline to motivate employees. Followers want something in exchange for their efforts in the form of a reward and recognition. Even though this falls under transactional leadership, it carries as much weight as the dimensions of transformational leadership.

Therefore without negating the work completed during previous studies, these studies have emphasised and encouraged leaders to concentrate on developing their transformational style of leadership with very little emphasis on transactional leadership. This research has added to this body of knowledge by showing that leaders need to focus on and develop their skills relating to the element of Contingent Reward within the transformational leadership framework just as much as transformational leadership. They should not neglect this aspect of leadership should they want to be seen to be effective in the eyes of their followers.

Therefore this study has shown that Bass's (1985a) augmentation model holds true in that, overall, transformational leadership augments transactional leadership not only in relation to employee satisfaction and organisational effectiveness but now also in relation to employee's perceptions of an effective leader. However, there is an exception to Bass' work for the transactional leadership dimension of

Contingent Reward. Contingent Reward does not supersede all the elements of transformational leadership. According to Bass' augmentation model, Contingent Reward should receive less emphasis from respondents when compared to the dimensions of transformational leadership. However, this study has shown that based on employees perceptions of an effective leader, Contingent Reward plays an equivalent role in a leader meeting follower's expectations.

Developing this further, the research therefore indicates that employee's perceptions of the degree to which an effective leader should display a predominantly transformational style of leadership over a predominantly transactional style of leadership hold true only for the transactional leadership dimension of Management-by-Exception (Active and Passive). Throughout the research, employees highlighted the need for a leader to display all the dimensions of transformational leadership and equally so, the dimension of Transactional Contingent Reward. As indicated in figure 7 and 10, much less emphasis was placed on the dimensions of Active and Passive Management-by-Exception by respondents.

One can ask whether this degree of separation in scores between Management-by-Exception (Active and Passive) versus the other dimensions measured seen in Figure 7 in this research is significant or not? As a result of this analysis, an ANOVA test was completed to determine whether these differences in employee's perceptions were statically significant or not. The ANOVA test results follow.

Table 11: ANOVA test transformational leadership dimensions and Contingent Reward versus Management-by-Exception (Active and Passive)

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Transformational incl Contingent Reward	6	20.01	3.33	0.02
Transactional	2	3.52	1.76	0.52

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	3.718	1	3.718	36.823	0.001	5.987
Within Groups	0.606	6	0.101			
Total	4.324	7				

The *F* test is the statistic that forms the basis for ANOVA to test the difference of group means. Within this study, the group is the specified level within an organisation and therefore the independent variable in this analysis. The *F* test tests whether the means of the groups of the independent variable are different enough not to have occurred by chance. If the group means do not differ statistically significantly, it is assumed that the independent variable did not have an effect on the dependent variable and vice versa.

The findings indicate that there is indeed a statically significant relationship between Management-by-Exception (Active and Passive) and the other elements of transformational and transactional leadership. The table indicates a p-value of less that 0.05 and an F value of 36.82 and an F critical value of 5.987. Therefore the degree to which a leader should display Active or Passive Management-by-Exception is significant lower than the other measured dimensions.

Based on the result, one can draw the conclusion that while employees feel that leaders should include a degree of Manage-by-Exception in their leadership style, it is less so than the other aforementioned elements above. That is, employees feel that leaders should actively monitor for deviances, mistakes and errors but should not concentrate their full attention on dealing with these issues. Likewise but less so, leaders should not completely avoid or fail respond to problematic situations but should intervene prior to situations becoming serious or waiting for things to go wrong.

5.2.2 Respondents Overall Perceptions of Effective Leadership in Business Depending of their Level of Seniority within an Organisation

Research question two

To what extent, if any, do employees' perceptions of the overall effectiveness of transactional and transformational leadership in business differ according to their level of seniority in an organisation?

The Figure 8 of Chapter 4 indicates that there may be a significant difference in the overall mean scores for transformational and transactional leadership according to respondent's levels of seniority in an organisation. Employees at the top / senior management category felt that effective leaders should exhibit the highest levels (3.09) of transactional and transformational leadership. Interestingly, this was followed by semi-skilled group of employees with an overall rating of 2.91 overall for transactional and transformational leadership. Those employees constituting the professionally qualified / middle management and skilled / junior management scored the overall effectiveness of transformational and transactional leadership almost equally with scores of 2.87 and 2.89 respectively.

The ANOVA tests were therefore used to determine whether these differences were statically significant or not. Single factor ANOVA, otherwise known as one-way ANOVA, was used to consider one factor, namely the respondents' level within the organisation. This was accessed for respondent's perceptions of overall transactional and overall transformational leadership.

The ANOVA results indicate a test result where the F statistic is 0.127 and has a p-value of 0.943. Since this p-value is greater than 0.05, or equivalently the F critical value of 2.947 is greater than F, no statistically significant difference was found overall between the groups of respondents. Therefore an employee's level of seniority within an organisation does not impact the extent to which they perceive the overall effectiveness of transactional and transformational leadership.

The significance and importance of this finding is that this research is able to, in some way, assist past, present and future researchers in testing the universality of transactional and transformational leadership studies. Many prior research studies identified previously in this paper, namely Bass 1997, Bass and Avolio 1993; Avolio and Bass 1988; Hoover 1987; Lowe *et al* 1996; Murray 1988; Onnen 1987; Koh *et al* 1991; Catanyag 1995; Molero and Morales 1994; Geyer and Steyrer 1998; Davis *et al* 1997; den Hartog 1997 and Carnegie 1995 showed that the models and principles of transactional and transformational leadership can be applied universally across various industries, cultures, races, countries, governmental organisations, the military etc.

This study has added to this body of knowledge in confirming that the same model and principles of transactional and transformational leadership can also be applied across levels of seniority of followers within organisations without leaders needing to be concerned about adapting their style of leadership.

Research question three

To what extent, if any, does an employees' level within an organisation impact his / her perception of effective transactional leadership?

Figure 9 reveals graphically whether an employees' level within an organisation impacts his / her perception of effective transactional leadership. Upon inspection one can see that there are minor differences regarding the degree to which an employee perceives effective transactional leadership based on their level of seniority. The significance of these differences is revealed in the corresponding ANOVA results.

The ANOVA test reveals an f value of 0.008 and an F critical value of 4.066. As a result, no statistically significant difference can be found in employees perceptions of an effective transactional leader based on their level of seniority in an organisation. For the sake of completeness, individual ANOVA tests were run between each individual level of seniority group to ensure no statically significant results were found between groups for employees' perceptions of effective transactional leadership. These results proved negative as presented in Appendix G.

Figure 10 shows that all levels of seniority within an organisation rated Contingent Reward as the most important element of transactional leadership followed by Management-by-Exception (Active) and Management-by-Exception (Passive).

In support of the findings above, all respondents, regardless of their level of seniority in an organisation, require a high degree of rewards and recognition in exchange for their efforts. Similarly, no groups identified the need for an effective leader to closely monitor mistakes, deviances and errors on an ongoing basis or to follow a passive approach in responding to crisis and problematic situations.

In summary, this study found that one's level of seniority in an organisation does not impact one's perceptions of effective transactional leadership to any significant extent.

Research question four

To what extent, if any, does an employees' level within an organisation impact his / her perception of effective transformational leadership?

Similarly, Figure 9 reveals the extent to which an employees' level within an organisation impacts his / her perception of effective transformational leadership. The graph indicates that there is a difference between the respondents' perceptions of effective transformational leadership per level of seniority in an organisational and the subsequent ANOVA tests confirm these findings.

The ANOVA table in Table 9 indicates that F= 5.855 and F critical = 3.239 for transformational leadership. With a p-value of less than 0.05 or in this case 0.007 one can conclude that there is a statistically significant difference between the groups. In other words, an employee's level of seniority in an organisation impacts the extent to which they perceive an effective leader should display a transformational leadership style.

As a result of this analysis and findings, further analysis was undertaken on this data. Individual ANOVA tests were completed to analyse the variance of the transactional leadership scores between each levels of seniority in an organisation. The full ANOVA results for each individual analysis can be found in Appendix H. The table below summarises these findings.

Table 12: ANOVA test results for the comparison of transformational leadership scores between levels of seniority in an organisation

Groups compared	F Value	F Critical value	Statistical significance
Top / senior management versus professionally qualified / middle management	19.617	5.317	Statistically significant
Top / senior management versus skilled / junior management	16.139	5.317	Statistically significant
Top / senior management versus semi-skilled workers	10.834	5.317	Statistically significant
Professionally qualified / middle management versus skilled / junior management	0.004	5.317	Not statistically significant
Professionally qualified / middle management versus unskilled workers	0.001	5.317	Not statistically significant
Skilled / junior management versus unskilled workers	0.007	5.317	Not statistically significant

The results indicate that there is a statistically significant relationship regarding the extent to which employee's perceptions of effective transformational leadership varies depending on their level of seniority in an organisation between top / senior management and the other groups of respondents. Other than this distinction, no other statistically significant result was found.

Top and senior management perceive an effective leader should display a statistically significantly higher degree of transformational leadership when

compared to the other levels of seniority in an organisation. In terms of the “Four I’s” identified by Bass (1994), top and senior management feel that leaders should positively influence their followers and put their followers and organisations needs above their own. As leaders themselves, they emphasise the importance of displaying and communicating the collective mission and vision of the organisation to a much higher degree than their followers. They see the motivation and engagement of employees as a critical leadership trait as well as the constant stimulation of followers on an intellectual level. Finally, top and senior management feel that effective leaders should treat followers as individuals with an emphasis on coaching, mentoring, growing and learning opportunities.

5.3 Interpretation of Results in Relation to the Overall Study and Research Problem

The results above have indicated that overall, employees’ perceptions of effective leadership, within a transactional and transformational leadership framework, do not vary according to their level of seniority within an organisation. The literature and theory relating to transactional and transformational leadership shows, respondents felt that effective leaders should display both a transactional and a transformational leadership style with the emphasis heavily weighted on transformational leadership. As with the works of Bass and Avolio (1993, 1994, 2004), Robbins (1996) and Covey (1991) which linked the full range leadership model to employee satisfaction and organisational effectiveness, one can conclude that employees perceptions of an effective leader falls into both the Full Range Leadership Model and the Augmentation Model of Transactional and Transformational Leadership as these previous research studies.

The significance and importance of this finding is that this research shows that the model of transactional and transformational leadership can be applied beyond

previous studies to now also include the application to levels of seniority in an organisation. Upon interpretation of this finding, it shows that the theory of transactional and transformational leadership built originally by Burns and Bass is comprehensive and applicable across varied situations and research topics. As a result, leaders are able to rely upon and use these theories of leadership on a practical every day basis in satisfying employee's perceptions of an effective leader in business.

Furthermore, regardless of ones level of seniority, the respondents showed a consistent view regarding the degree to which a leader should display a level of transactional leadership. Upon closer inspection, the degree to which an effective leader should recognise the importance of Contingent Reward, which falls under the transactional leadership framework, is in line with the elements of transformational leadership. Contingent Reward plays as an important role as all the dimensions of transformational leadership and should therefore not be neglected by leaders. It is only the transactional elements of Active and Passive Management-by-Exception that carry less emphasis when compared to all the other dimensions in Burns and Bass' model.

In terms of transformational leadership, the significant finding in relation to the overall study and research problem is that top / senior management perceive an effective leader should display a higher degree of transformational leadership versus the other groups assessed.

If one was to interpret these finding one could argue that all employees, regardless of their level of seniority in an organisation, want a degree of transactional leadership and particularly Contingent Reward. While Covey (1991) associates transactional leadership with the so called industrial age, the study finds that this style of leadership should not be neglected and is still required in the so-called knowledge age and by knowledge workers in organisations today. It should therefore not be discarded at any level when leading and managing others.

All followers still see the employer / employee relationship as some form of an exchange and the degree to which they want to be recognised and rewarded in exchange for their efforts is consistent across levels within an organisation. Even though Bass' (1985a) Augmentation Model suggests that transformational leadership augments transactional leadership, all employees enjoy a leader who displays a fairly high degree of Contingent Rewards where they know what is expected from them and the rewards they will receive in exchange for their output. From top / senior management all the way down the organisation to semi-skilled employees, they all want to be recognised and rewarded for their efforts.

Thereafter, the degree to which employees perceive a leader should Management-by-Exception within the transactional leadership framework is consistent amongst the groups of respondents. Overall the respondents feel a leader should focus some of their attention on problems, mistakes, exceptions and variations prior to them becoming problematic. In other words, all respondents felt that a leader needs to manage difficult situations and cannot shy away from difficult circumstances.

Within this context above, it shows that all employees realise and appreciate the need to leaders to deal with uncomfortable issues and their role is not only focusing on the positive aspects and so called glory associated with being a leader. Everyone recognises the need for leaders to deal with such matters and not ignore them.

In relation to the finding (Figure 9) that top / senior managers perceive an effective leaders should display a higher degree of transformational leadership is now discussed. The literature review and demographical data collected is able to provide some insights into the reasons behind this finding and assist with the interpretation of these results.

According to Maslow's (1942) Hierarchy of Needs, everyone has basic human needs which, at the lower levels, relate to basic, safety, social and self esteem. One moves systematically through these levels to reach the pinnacle of the pyramid, namely self-actualisation which relates to morality, creativity, spontaneity, problem solving and mastering a field. While the former levels can be related in many ways to transactional leadership, the latter operates within the realm of transformational leadership.

Top and senior management should have completely satisfied the lower levels of Maslow's hierarchy and be looking for a higher degree of self-actualisation which espouses elements of a transformational leadership framework when compared to lower level employees who may not have sufficiently satisfied the lower levels of Maslow's hierarchy and therefore may not see the need for such a high degree of transformational leadership.

Unlike transactional leadership, transformational leadership is a more contemporary leadership theory and style. The predominant elements of this theory can be seen in modern literature on the subject as well as seen in the many recent success stories of the now famous business leaders and companies around the world.

The demographics of respondents within the top / senior management category were older and one could infer that they would have a higher degree education and work experience to occupy these positions. A combination of these elements and maturity would give them the knowledge and experience that leaders who display a high degree of transformational leadership tend to lead successful organisations. Such a level of seniority in an organisation would have exposure to the modern literature and case studies relating to leadership, many of which reaffirm the principles of transformational leadership.

In the current wave of leadership literature, it is unlikely that respondents at the top and senior levels within organisations would not have exposure to the popular literature such as Covey (1991) and Collins (2001), which is aligned in many ways to transformational leadership and how this leads to overall employee satisfaction and organisational success.

These leaders, leadership theories and numerous research studies (Avolio, 1999; Bass 1985b, 1998; Bass and Avolio 1991, 1993, 1994; Fuller *et al* 1996; Felfe and Schyns 2004; Hater and Bass 1988; Howell and Avolio 1993; Lowe *et al* 1996; Yammarino and Bass 1990 and Koh *et al* 1991) have identified the importance of transformational leadership and the success it brings to an organisation when they engage employees', make them aware of the mission and vision of the organisation in order to achieve the companies strategy and objectives and grow people to their full potential for the benefit of themselves and the organisation as a whole. It is through charisma, inspiration, intellectual stimulation and individual concern for followers that leaders are able to positively influence employees and ultimately benefit the organisation. Under such conditions, employees will be inspired and motivated to produce superior results for the company and shareholders. These elements form the foundation of transformational leadership.

Against this background, one could argue that top/senior managers therefore recognise the importance of a transformational leadership style to ultimately fulfil the company's objectives by looking at the higher level strategic importance of effective leadership. While all respondents / levels of seniority in the organisation recognised the fundamental need for a predominately transformational leadership style, those in top / senior management positions perceive effective leaders should display a higher degree of transformational leadership for the success of the organisation and its followers.

As a result, one can interpret that due to some of the factors identified above, the degree to which top / senior managers perceive an effective leader should display

a predominately transformational leadership style, is greater than that of the other groups of respondents surveyed in this study.

6 CONCLUSION

This study has attempted to look at the topic of leadership from a follower's perspective. This involved establishing the extent to which employees' have a common perception of an effective leader in business. The study covered whether employees' perceptions of an effective leader varied in relation to their level of seniority in an organisation. This was completed within the context of a transactional and transformational leadership framework.

The literature review provided a chronological review of leadership theories dating back to the 1920's through to the contemporary theories covered in the literature today. Five broad schools of thought surrounding leadership studies were identified and the subsequent literature reviewed. More importantly, the in-depth review of transactional and transformational leadership in the literature review provided the foundation to assist with the interpretation of the results from the data collected in this study.

The study has highlighted the limited research available regarding follower's perceptions of effective leadership and has identified the need for further research into this topic. While this research has provided a base and starting point for such a topic, further and more in-depth research could be pursued by academics to include a larger sample size and explore factors such as cultural, level of education, gender, age and industry of employment in relation to the topic at hand.

Findings in relation to the study show that overall employee's perceptions of effective leadership, when assessed within the transactional and transformational leadership framework, do not differ significantly based on their level of seniority within an organisation. Similarly, employees at different levels of an organisation do not have different perceptions of whether an effective leader should display a predominantly transactional or transformational leadership style. All groups surveyed felt that effective leaders should display a predominately transformational leadership style.

Adding to this and previous studies, the results have shown that while employees overall require a higher degree of transformational leadership than transactional leadership, an exception was identified relating to the transactional dimension of Contingent Reward. This study has gone beyond previous research which specifically looked at employee satisfaction and organisational outcomes to conclude that transformational leadership augments transactional leadership when employees are asked to rate their perceptions of an effective leader, not just in relation to their levels of satisfaction and organisational performance.

The research has shown that the theories and previous research relating to transactional and transformational leadership can now also be applied by leaders when dealing people at various levels of an organisation. Leaders are able to practically rely upon the transactional and transformational leadership framework now that employee's perceptions of their effectiveness have been obtained through this research. Previous studies and research into the topic of leadership have generally neglected to attain subordinates perceptions of an effective leader.

The study has found that an employee's level of seniority within an organisation does not impact their perception of effective transactional leadership. All groups of respondents feel that an effective leader should exhibit some transactional leadership style and the degree to which this should be done is not impacted by their level within an organisation.

This study has distinguished itself from the previous research in relation to the element of transformational leadership and the level of seniority within an organisation. The research has added to the body of literature available on this subject by finding that top / senior management feel that a leader should exhibit a greater degree of transformational leadership versus professionally qualified / middle management, skilled / junior management and semi-skilled staff. The interpretation of this finding has been that top / senior management see the importance of transformational leadership from a strategic level in driving out and

achieving the mission and vision of the company which ultimately leads to sustained performance and a return to shareholders.

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Appendix A: Hay Group Correlation Table

Table 13: Hay Group Correlation Table

Total guaranteed cost to company package per annum including incentives, commissions and guaranteed bonus	Hay Grade / level	Decision level	Employment Equity - occupational level
Min: R 750 395 Max: None	20 - 34	Top Management, Board Level, Policy Making Decisions, Senior Management, Heads of Major Functions	Top and Senior management
Max: R 750 394 Min R 322 922	16 - 19	Professionally Qualified and Experienced Specialists. Middle Management. Interpretative Decisions	Professionally qualified and experienced specialists and middle management
Max: R 322 921 Min: R 154 941	12 - 15	Skilled, Technical and Academically Qualified Employees, Junior Specialists, Supervisors, Foremen, Superintendents, Routine or Process Decisions	Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents
Max: R 154 940 Min: R 0	1 - 11	Discretionary / Operative Decisions Defined Decisions	Semi-skilled and discretionary decision making Unskilled and defined decision making

HayGroup, SA, 2008

Appendix B: Organisational Structure

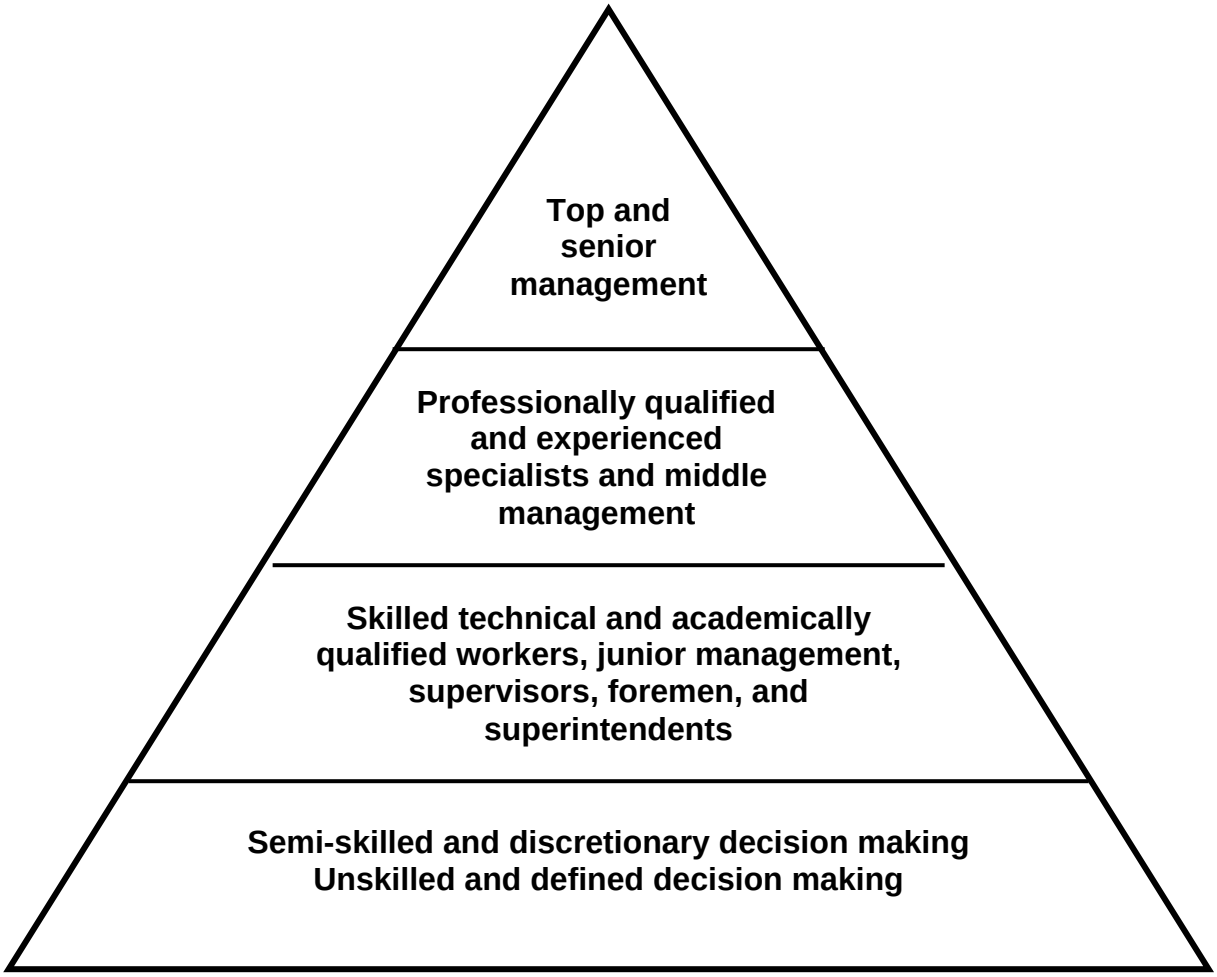

Figure 11: Organisational Structure

Appendix C: MLQ Permission for Use

For use by Tanya Knowles only. Received from Mind Garden, Inc. on January 15, 2009
MLQ, © 1995 Bruce Avolio and Bernard Bass. All Rights Reserved.
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To whom it may concern,

This letter is to grant permission for the above named person to use the following copyright material;

Instrument: ***Multifactor Leadership Questionnaire***

Authors: ***Bruce Avolio and Bernard Bass***

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for his/her thesis research.

Five sample items from this instrument may be reproduced for inclusion in a proposal, thesis, or dissertation.

The entire instrument may not be included or reproduced at any time in any other published material.

Sincerely,

Vicki Jaimez

Mind Garden, Inc.

www.mindgarden.com

Appendix D: Permission for the Adaptation of the MLQ

From: Robert Most [mailto:bobmost@msn.com]
Sent: 11 March 2008 08:23 PM
To: Tanya Knowles
Subject: Re: Mind Garden, Inc. Order 3737

Tanya
Besides paying us for the reproduction, you don't need anything from us. The issue is copyright so, for example, if you buy a book in a bookstore, you don't ask the publisher if you can read it. Yes, you can remove items to meet your needs.
I hope this helps
robb

On 3/11/08 8:26 AM, "Tanya Knowles" <tanyak@strate.co.za> wrote:

Hi Robb

I am not sure if you will be able to answer the following but I wanted to enquire whether one needs to apply for formal permission to use the MLQ for research purposes (this is after buying the sample set and 150 copies online)

In addition, my research is not looking at Laissez-Faire leadership (as per 4 of the questions) but only at Transactional and Transformational Leadership. Is the researcher allowed to remove these questions from the questionnaire for research purposes?

Thank you for you assistance
Regards
Tanya

Tanya Knowles
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Appendix E: Descriptive Statistics

Table 14: Descriptive Statistics

	Total Sample (n=141)			Top / Senior Management (n=30)			Professional / Middle Management (n=42)			Skilled / Junior Management (n=36)			Semi-skilled (n=33)		
Scale	**Mean**	**SD**	**Range**	**Mean**	**SD**	**Range**	**Mean**	**SD**	**Range**	**Mean**	**SD**	**Range**	**Mean**	**SD**	**Range**
II (A)	3.38	0.36	4.00	3.55	0.30	4.00	3.26	0.32	4.00	3.38	0.23	4.00	3.32	0.58	4.00
II(B)	3.18	0.58	4.00	3.50	0.35	4.00	3.10	0.55	4.00	3.07	0.68	4.00	3.06	0.75	4.00
IM	3.56	0.11	4.00	3.73	0.14	4.00	3.48	0.14	4.00	3.45	0.09	4.00	3.59	0.08	4.00
IS	3.33	0.22	4.00	3.68	0.17	4.00	3.23	0.25	4.00	3.19	0.20	4.00	3.23	0.26	4.00
IC	3.32	0.30	4.00	3.55	0.18	4.00	3.29	0.33	4.00	3.29	0.21	4.00	3.14	0.47	4.00
CR	3.24	0.57	4.00	3.30	0.57	4.00	3.29	0.66	4.00	3.15	0.59	4.00	3.22	0.46	4.00
MBEA	2.27	0.42	4.00	2.28	0.43	4.00	1.97	0.57	4.00	2.26	0.27	4.00	2.58	0.40	4.00
MBEP	1.25	1.07	4.00	1.13	0.86	4.00	1.37	1.33	4.00	1.31	1.03	4.00	1.18	1.06	4.00

Appendix F: ANOVA tests on the Overall Results

Table 15: ANOVA test of transformational leadership per in level of seniority

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top / senior mgmt	5	18.008	3.602	0.010
Prof / middle mgmt	5	16.351	3.270	0.018
Skilled / junior mgmt	5	16.382	3.276	0.023
Semi Skilled	5	16.333	3.267	0.042

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.410	3	0.137	5.855	0.007	3.239
Within Groups	0.373	16	0.023			
Total	0.784	19				

Table 16: ANOVA test of transactional leadership per level of seniority

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top / senior mgmt	3	6.708	2.236	1.184
Prof / middle mgmt	3	6.625	2.208	0.961
Skilled / junior mgmt	3	6.729	2.243	0.847
Semi Skilled	3	6.977	2.326	1.085

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.023	3	0.008	0.008	0.999	4.066
Within Groups	8.155	8	1.019			
Total	8.178	11				

Table 17: ANOVA test per dimension of transactional and transformational leadership per level of seniority

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top / senior mgmt	8	24.717	3.090	0.843
Prof / middle mgmt	8	22.976	2.872	0.587
Skilled / junior mgmt	8	23.111	2.889	0.541
Semi Skilled	8	23.311	2.914	0.571

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.24	3	0.081	0.127	0.943	2.947
Within Groups	17.80	28	0.636			
Total	18.04	31				

Table 18: ANOVA test for the overall scores for transformational and transactional results per level of seniority

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top / senior mgmt	2	5.838	2.919	0.932
Prof / middle mgmt	2	5.479	2.739	0.564
Skilled / junior mgmt	2	5.519	2.760	0.534
Semi Skilled	2	5.592	2.796	0.443

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.039	3	0.013	0.021	0.995	6.591
Within Groups	2.473	4	0.618			
Total	2.512	7				

Appendix G: ANOVA tests for Transactional Leadership when Comparing per Level of Seniority

Table 19: ANOVA test for transactional leadership for Top / Senior Management versus Professionally Qualified / Middle Management

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top / Senior mgmt	3	6.708	2.236	1.184
Prof / middle mgmt	3	6.625	2.208	0.961

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.001	1	0.001	0.001	0.975	7.709
Within Groups	4.290	4	1.073			
Total	4.292	5				

Table 20: ANOVA test for transactional leadership for Top / Senior Management versus Skilled / Junior Management

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top / Senior mgmt	3	6.708	2.236	1.184
Skilled / junior mgmt	3	6.729	2.243	0.847

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	7E-05	1	7E-05	7E-05	1E+00	8E+00
Within Groups	4E+00	4	1E+00			
Total	4E+00	5				

Table 21: ANOVA test for transactional leadership for Top / Senior Management versus Semi-skilled Respondents

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top / senior mgmt	3	6.708	2.236	1.184
Semi-skilled	3	6.977	2.326	1.085

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.012	1	0.012	0.011	0.923	7.709
Within Groups	4.539	4	1.135			
Total	4.551	5				

Table 22: ANOVA test for transactional leadership for Professional / Middle Management versus Skilled / Junior Management

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Prof / middle mgmt	3	6.625	2.208	0.961
Skilled / junior mgmt	3	6.729	2.243	0.847

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.002	1	0.002	0.002	0.966	7.709
Within Groups	3.616	4	0.904			
Total	3.618	5				

Table 23: ANOVA test for transactional leadership for Professional / Middle Management versus Semi-skilled Respondents

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Prof / middle mgmt	3	6.625	2.208	0.961
Semi-skilled	3	6.977	2.326	1.085

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.021	1	0.021	0.020	0.894	7.709
Within Groups	4.092	4	1.023			
Total	4.113	5				

Table 24: ANOVA test for transactional leadership for Skilled / Junior Management versus Semi-skilled Respondents

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Skilled / junior mgmt	3	6.729	2.243	0.847
Semi-skilled	3	6.977	2.326	1.085

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.010	1	0.010	0.011	0.923	7.709
Within Groups	3.864	4	0.966			
Total	3.874	5				

Appendix H: ANOVA tests for Transformational Leadership when Comparing per Level of Seniority

Table 25: ANOVA test for transformational leadership for Top / Senior Management versus Professional / Middle Management

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top / senior mgmt	5	18.008	3.602	0.010
Prof / middle mgmt	5	16.351	3.270	0.018

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.275	1	0.275	19.618	0.002	5.318
Within Groups	0.112	8	0.014			
Total	0.387	9				

Table 26: ANOVA test for transformational leadership for Top / Senior Management versus Skilled / Junior Management

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top / senior mgmt	5	18.008	3.602	0.010
Skilled / junior mgmt	5	16.382	3.276	0.023

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.265	1	0.265	16.139	0.004	5.318
Within Groups	0.131	8	0.016			
Total	0.396	9				

Table 27: ANOVA test for transformational leadership for Top / Senior Management versus Semi-skilled Respondents

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top / senior mgmt	5	18.008	3.602	0.010
Semi - skilled	5	16.333	3.267	0.042

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.281	1	0.281	10.834	0.011	5.318
Within Groups	0.207	8	0.026			
Total	0.488	9				

Table 28: ANOVA test for transformational leadership for Professional / Middle Management versus Skilled / Junior Management

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Prof / middle mgmt	5	16.351	3.270	0.018
Skilled / junior mgmt	5	16.382	3.276	0.023

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	9.5E-05	1	9.5E-05	4.5E-03	9.5E-01	5.3E+00
Within Groups	1.7E-01	8	2.1E-02			
Total	1.7E-01	9				

Table 29: ANOVA test for transformational leadership for Top / Senior Management versus Semi-skilled Respondents

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Top / senior mgmt	5	16.351	3.270	0.018
Semi-skilled	5	16.333	3.267	0.042

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	3E-05	1	3E-05	1E-03	1E+00	5E+00
Within Groups	2E-01	8	3E-02			
Total	2E-01	9				

Table 30: ANOVA test for transformational leadership for Skilled / Junior Management versus Semi-skilled Respondents

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Skilled / junior mgmt	5	16.382	3.276	0.023
Semi-skilled	5	16.333	3.267	0.042

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.000	1	0.000	0.007	0.934	5.318
Within Groups	0.262	8	0.033			
Total	0.262	9				

Appendix I: Acronyms

ANOVA	Analysis of Variance
CEO	Chief Executive Officer
CR	Contingent Reward
FASSET	Financial, Accounting, Management Consulting & Financial Services
II	Idealised Influence
IIA	Idealised Influence Active
IIB	Idealised influence Passive
IC	Individualised Consideration
IM	Inspiration Motivation
IS	Intellectual stimulation
LF	Laissez-Faire
LMX	Leader Member Exchange
LPC	Least Preferred Co-worker
MBE	Management-by-Exception
MBEA	Management-by-Exception Active
MBEP	Management-by-Exception Passive
MLQ	Multifactor Leadership Questionnaire
SETA	Sector Education and Training Authorities
YPO	Young Presidents Organisation