

**THE RELATIONSHIP BETWEEN LEADERSHIP AND  
INTERNAL CUSTOMER SATISFACTION WITHIN A  
MOTOR MANUFACTURING COMPANY IN GAUTENG**

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the requirements for the degree of**

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**by**

**GLEN SAMUEL**

**January 2005**

## **Declaration**

Hereby I, Glen Samuel, declare that this research thesis is my own original work and that all sources have been accurately reported and acknowledged, and that this document has not been previously in its entirety or in part been submitted at any university in order to obtain an academic qualification.

G. Samuel

23 February 2005

## **Abstract**

This research investigates the relationship between leadership and internal customer satisfaction, also called employee satisfaction in this document. The research is conducted within an automotive manufacturer situated in the province of Gauteng, South Africa. The Service Profit Chain forms the foundation on which this research is based as it suggests that the various factors within the service delivery system of an organisation ultimately affect the success of an organisation. From the Service Profit Chain, it is established that a factor that affects employee satisfaction is the leadership within the organisation. The Full Range Leadership Development Theory provides the backbone for analysing the leadership style of each manager by using the Multifactor Leadership Questionnaire. The company's employee satisfaction model provides the theoretical construct against which the employee satisfaction of the managers' subordinates is measured using the company's employee satisfaction questionnaire. Information was gathered from the managers who rated their leadership styles as they perceived it; and from their respective subordinates who rated the managers' leadership style as they perceived it and also their satisfaction as employees as they perceived it. Data obtained from each instrument, for the respective managers, was then statistically analysed. The reliability of the data could not be proved for some of the factors of the 2 research instruments. However, this research found a statistically significant relationship between transformational leadership and some factors of employee satisfaction, albeit a weak relationship. The null hypothesis was rejected and the alternate hypothesis accepted. A statistically significant relationship exists between leadership style and employee satisfaction levels within an automotive manufacturing organisation.

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## Chapter 1: Introduction

### 1.1 Reason for the Study

While employee satisfaction and leadership behaviour have been extensively investigated in other fields, studies of these variables in the automotive industry, particularly in South Africa are almost absent. Ristow, Amos and Staude (1999) advise that leadership and organisational studies in general business in South Africa are few in number. This research serves to add to the body of knowledge on leadership and organisational studies in South Africa.

Research within the framework of employee satisfaction and leadership in the South African automotive context is limited, apart from Botha (2001) who conducted empirical research in a South African motor company on the relationship between leadership, internal quality and customer satisfactions levels. Some research was also performed within other contexts in South Africa, e.g. Hayward, Davidson, Pascoe and Tasker (2003) who conducted research into the relationship between leadership and employee performance in a pharmaceutical company and Ristow et al (1999) who conducted research into transformational leadership and organisational effectiveness in the administration of cricket.

Although internal customer satisfaction was mentioned within these studies, neither undertook to argue the relationship between leadership and internal customer satisfaction. For the purposes of this research study, employee satisfaction will mean the same thing as internal customer satisfaction.

### 1.2 The Motor Vehicle Industry

In a survey conducted by the Economist (2004) the automotive industry makes nearly 60 million cars and trucks a year, and employs millions of people around the world. The automotive industry's products are responsible for almost half of the world's oil consumption, uses up nearly half the world's annual output of rubber, 25% of its glass and 15% of its steel. The automotive industry accounts about 10% of the Gross Domestic

Product (GDP) in rich countries.

The Economist (2004) indicates that the industry has weathered the storms of 20<sup>th</sup> century capitalism, is now over a 100 years old and struggling. Average profit margins have declined from 20% or more in its youth in the 1920s to around 10% in the 1960s and less than 5% now, and some volume carmakers have actually been losing money. It is further pointed out (The Economist, 2004) that the market in America, Europe and Japan, where 80% of the world's cars and trucks are sold, has been running out of growth. In America the arrival of European, Japanese and Korean makers has created overcapacity. In Germany and France, rigid labour laws have inhibited the closure of redundant old factories. In Japan, the close industrial partnerships known as *keiretsu* have proved too rigid for some manufacturers. In Asia the 1997 financial crises dealt the South Korean car industry a huge blow. In South America the economic collapse in Brazil and Argentina put a stop to the rapid expansion of car industries there, leaving foreign investors to cut their losses.

A warning is also given that although the boom in China is currently exciting the market, it needs to be kept in perspective (The Economist, 2004). For all the huge percentage increases, the annual value of that market is equivalent to just about a month's sales in the rest of the world. It has been contended by Benko (2003) that globally, the automotive industry is transforming itself. During a period of uncertainty and discontinuity, entirely new ways of doing business are emerging. Benko (2003) advises that one of the major trends emerging is the manufacturer's changing relationship with its customer. Increasingly customers are being given the opportunity to customize (*sic*) their purchase, while the automakers are becoming more adroit at understanding which customers create the most value for them.

### 1.3 The South African Motor Vehicle Industry

Globalisation has profound effects on societies in general and particularly in industries (Langa, Boure, Tlabela and Struwig, 2003). Like the automotive industries of the US and Korea, the South African automotive industry faces intense competition from other

automotive industries because of economic globalisation. Langa et al (2003) contend that if no preventive measure is taken, economic globalisation may sharply reduce profitability and employment capacity of the South African automotive industry. This will worsen unemployment and decrease the national revenue in South Africa. A warning is given by Langa et al (2003) that foreign competitors may eventually drive local manufacturers out of the market. Economic globalisation increases competitive pressure on the domestic automotive industry in South Africa because it increases the number of suppliers of automobiles in the domestic market. This results in a decrease in the price of automobiles in South Africa, which benefits domestic consumers if the domestic industry is not driven out of business. Langa et al (2003) further warn that if the domestic industry is driven out of business, foreign producers will increase their prices and unemployment will also increase with such magnitude that the country will face acute social tension.

The Financial Mail (2004) reports the South African motor industry is at a crossroads as the motor industry development plan (MIDP), which is the government sponsored initiative which has transformed the sector, is due for review in 2005 and may be totally abolished. The program's timetable runs until 2012, after which the industry hopes for another policy roadmap. The problem is that the more competitive the motor industry gets, the more the MIDP will be challenged by other countries where the vehicles are exported to. These destination countries lobby with the World Trade Organisation (WTO) to rule against artificial incentives used to make South African vehicles and vehicle components more competitive. Finally, the Financial Mail (2004) describes a dilemma facing the South African automotive industry and South Africa, viz. the motor industry spends R10bn more foreign currency than it earns, and that only 5% of the population of South Africa can afford a car.

#### 1.4 The Motor Vehicle Company under Study

The company's involvement in South Africa goes back to 1968. Before then, if a local customer wanted to purchase the company's product, the vehicle had to be specially imported fully built up from Europe. During this period sales were about 1000 units a

year. In 1968 a South African company started assembling the company's products at its Gauteng plant, using the parent company's engines and drive-trains fitted to metal pressed and shipped from Europe. In 1972 the parent company took control of the South African operation, and in 1973 the South Africa company was established as a wholly-owned subsidiary of the parent company. The South African plant was the first to be established outside Europe. It was a major development in the history of the company, and a mark of confidence in the future of South Africa.

Today, with more than 60% of each car made up of local components, each one of the local suppliers have had to gear-up to meet the company's growing requirements. In effect, the dramatic increase in productivity and the growing export program have resulted in the company putting nearly R3,5 billion into the pockets of South African business during 2000 alone. The company pioneered the export initiative within the luxury motor manufacturing sector in South Africa and encouraged others within the industry to embark on similar programs which benefit not only the company, but the country and its people. A most recent accolade is the winning of the award for best quality in a comparison with vehicles produced in factories throughout Europe in 2002. Over the past 30 years the company has shown a strong commitment to South Africa, and in 2004, to celebrate ten years of democracy, together with its suppliers and employees, donated ten vehicles to be auctioned world-wide in aid of funds for the Nelson Mandela Children's Fund. Some suppliers provided parts free of charge, and all the employees worked for no pay to produce these vehicles.

## 1.5 The Research Problem

It is common business sense that profit equates to throughput less costs. An increase in throughput, or sales, has a positive effect on profit. Sales can increase by having new customers, or the same customers coming back. Sviokla and Shapiro (1993) argue that keeping the external customer satisfied should be as natural to a business as breathing is to be a human being. Bateson and Hoffman (1999) claim that external customer satisfaction through increased external customer service has become increasingly important in the highly competitive South African motor vehicle industry. The motor

vehicle market in South Africa is saturated with generic models. Some are exactly the same product but with different badges e.g. Daewoo and Chevrolet, and, Ford and Mazda. This makes it difficult for motor vehicle manufacturers to have a competitive advantage using product strategies. Therefore external customer satisfaction through service quality is of paramount importance.

The Service Profit Chain (Heskett, Jones, Loveman, Sasser and Schlesinger, 1994) focuses on those factors involved in the service encounter, which influence external customer satisfaction. Heskett et al (1994) argue that it is the internal quality of the organisation that affects its level of internal customer satisfaction, loyalty and productivity. Heskett et al (1994) describe internal quality as the working environment surrounding an organisation's employees that affect the level of internal customer satisfaction.

Bailey and Dandrade (1995) asked the question "What actions increase internal customer satisfaction?" With this question in mind, Bailey and Dandrade (1995) began to benchmark the best practices which had been used by others to increase internal customer satisfaction. The benchmarked companies included Caterpillar, General Electric, Hewlett Packard, Johnson & Johnson, Levi Strauss and Pepsi-Cola. Bailey and Dandrade (1995) found out that there is a causal link between external customer satisfaction, internal customer satisfaction and profitability.

It is clear that external customer satisfaction is largely dependent on the level of service quality delivered by employees (Heskett, Sasser, and Schlesinger, 1997), and as argued further by Heskett et al (1997) internal customer satisfaction and external customer satisfaction scores run closely together. It can consequently be argued that external customer satisfaction is directly influenced by internal customer satisfaction. Internal customer satisfaction is affected by internal quality, which in turn is affected by the leadership being practiced within the organisation. According to Olson (2001) employee satisfaction is measured by an employee satisfaction score which determines the average level of employee satisfaction, determined through the use of surveys. Within the



company being researched, internal customer satisfaction is summarised into four categories, viz. great pay, great job (involvement, clear objectives), great company (values, communication) and great balance (work and private life balance).

Businesses that rely on employees to deliver high levels of service quality to customers require the strong, sustaining power of leadership (Berry, 1999). Hall and Maritz (1997) argue that the purpose of leadership is to translate an organisation's potential for good performance into productivity. Hall and Maritz (1997) also claim that leaders differ in their priorities and preferred styles and therefore, in the types of internal conditions they create. Wall, Solum and Sobol (1992) argue that a good business leader must understand the importance of internal customer satisfaction and productivity in ensuring higher levels of external customer satisfaction. Bass (1985) claims that successful leadership occurs when the needs and desires of the organisation's employees are met in return for a high level of employee productivity and as a result, a high level of customer satisfaction.

Leadership is one of the tasks of managerial work. The others are planning, organising and controlling. Today's fast changing world is having a significant impact on organisations and is presenting new leadership challenges. Leaders have to constantly change the manner in which they react to the various internal and external stimuli they are being exposed to. According to Maritz (1995) excellent organisations begin with excellent leadership and unfortunately the reverse is also true. He argues that some leaders believe the performance of an organisation depends upon the quality of its personnel. He claims that this is a flawed premise for, in reality, it is the quality of the organisation's leadership, which will dictate whether or not the talents and commitment of its people will become manifest and expressed in the work of the organisation.

According to Hersey (1994) the matching of leadership behaviour with different circumstances surrounding the organisation, results in the development of a particular leadership style. Kotter (1996) claims that a new type of leadership style is called for: one that empowers employees and increases employee productivity. According to Pruijn and Boucher (1994) transformational leadership is an extension of transactional leadership

and that a leader may display various degrees of transactional or transformational leadership depending on the situation. Pruijn and Boucher (1994) further contend that transactional leadership is a style of leadership that focuses on exchanging one thing for another. Avolio, Waldman and Yammarino (1991) sum this up by showing that transactional leaders define and communicate the work that must be done by followers, how it will be done, and the rewards followers will receive for successfully completing the stated objectives. Burns (1978) argues that transformational leaders do more with followers and colleagues than set up simple exchanges or agreements. The transformational leader is one who looks for potential motives in followers, seeks to satisfy higher needs, and engages the full person of the follower. This approach to leadership is in actual fact a “Full Range Leadership Development Model”. Meyer and Botha (2000) argue that Full Range Leadership is a strategic organisation development intervention, designed to enhance the impact on the motivation and performance of individuals, teams and the organisational culture itself. The Full Range Leadership Development Model by Bass and Avolio (1997) provides a theoretical framework for the Multifactor Leadership Questionnaire (MLQ) which will be used in this research study.

As mentioned previously, Botha (2001) and Hayward et al (2003) conducted empirical research in South African organisations on the leadership relationships and some organisational issues; neither undertook to argue the relationship between leadership and the organisational issue of employee satisfaction.

#### 1.6 The Goal of the Research

The overall goal is to determine the relationship between leadership and internal customer satisfaction in a motor manufacturing company in Gauteng. The null hypothesis states that there is no statistically significant relationship between leadership style and employee satisfaction levels within an automotive manufacturing organisation, and the alternate hypothesis states that there is a statistically significant relationship between leadership style and employee satisfaction levels within an automotive manufacturing organisation.

## 1.7 Conclusion

While this chapter discussed the reason for this research; gave a review of the global, South African and the company's automotive industry position; and discussed the research problem and goal, the next chapter will conduct a literature review of one of the two research variables i.e. employee satisfaction, the other being leadership style which will be discussed after employee satisfaction.

## Chapter 2: Employee Satisfaction

### 2.1 Introduction

The previous chapter discussed the reason for this research, gave a review of the global, South African and the company's automotive industry position, and discussed the research problem and goal. This chapter will conduct a literature review of one of the two research variables i.e. employee satisfaction, the other being leadership which will be discussed after employee satisfaction.

This chapter will introduce the Service Profit Chain which is used as a basis to argue the relationship between leadership and employee satisfaction. To form an understanding of employee satisfaction in an organisational setting, the following will be discussed in the following order:

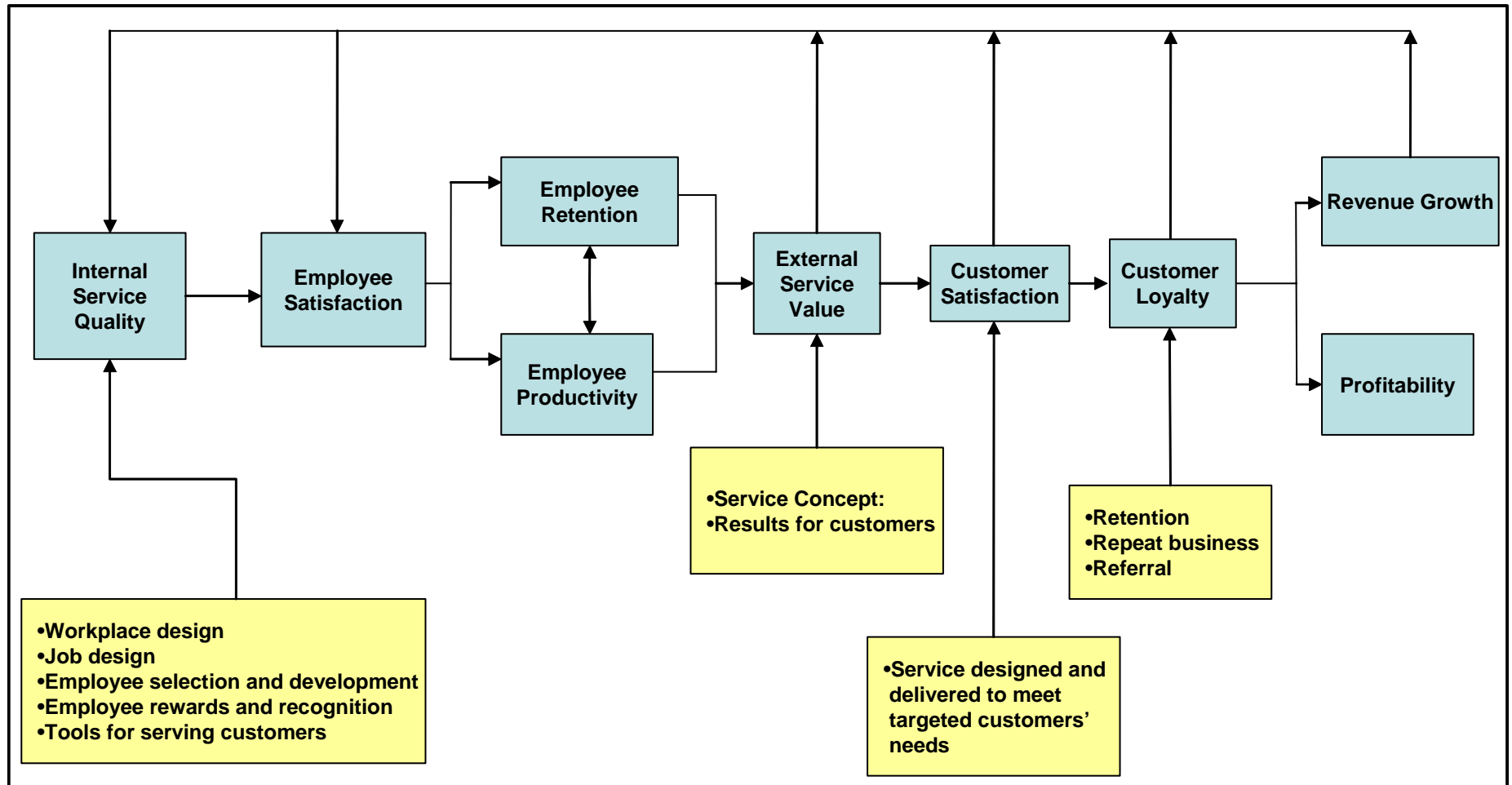
- Definition of Employee Satisfaction
- Theories of Satisfaction
- Theories of Employee Satisfaction
- The Company's Model for Employee Satisfaction

This chapter will also allude to the benefits of employee satisfaction and discuss the importance for employee satisfaction within the global, South African and the company's automotive context.

### 2.2 The Service Profit Chain

The Service Profit Chain is key to the argument of this research as it links leadership to employee satisfaction. Heskett, Jones, Loveman, Sasser and Schlesinger (1994) maintain that for the Service Profit Chain to be implemented successfully, effective leadership is required. Employee satisfaction is the second link within the Service Profit Chain, figure 2.0 below, and if employee satisfaction is not achieved, the consequent links will also not be achieved, thereby not reaching the final outcomes of revenue growth and ultimately profitability.

Figure 2.0 The Service Profit Chain



Source: Adapted from Heskett et al, 1994: 166

The next two paragraphs define the fundamental reasoning of the Service Profit Chain model by Heskett et al (1994). Within the Heskett et al (1994) model, conclusions of the connection between profitability and leadership in service companies are made. The research also points out the importance of employee attitudes in relationship to profitability. The model maintains:

- A high level of profitability and growth are primarily stimulated or driven by customer loyalty
- A loyal customer is far more profitable than a new one as he makes repeated purchases and also is a source of referrals
- The key driver of customer loyalty is customer satisfaction. A customer must be satisfied (feel positive emotions) long enough, and consistently enough, to become loyal. The customers' perception of value they have received largely determines customer satisfaction
- Productive, loyal, satisfied employees create value. Productivity is the primary driver of value. Loyalty is the major determinant of productivity. Loyal employees go the extra mile for customers and their managers. Employees are loyal to an organisation because they feel more satisfied. Satisfied employees are much more loyal and productive than their unmotivated, dissatisfied counterparts
- Employee satisfaction is largely driven by the internal quality of the working environment. By internal quality, the authors mean the feelings that employees have toward their jobs, colleagues, and the company; and
- Finally, Heskett et al (1994) point out that it is effective leaders that underlie the entire Service Profit Chain. Heskett et al (1994) contend that these are leaders who actively develop and maintain a company culture centered on sincere care and service to fellow employees and customers. "They display a willingness and ability to listen. They care about their employees and spend a great deal of time selecting, tracking, and recognizing (*sic*) them" (Heskett et al, 1994: 168).

Internal quality contributes the most to employee satisfaction; and "internal quality is measured by the feelings that employees have toward their jobs, colleagues, and companies" Heskett et al (1994: 168). Heskett et al (1994) argue that communication

and interaction skills must be developed which will then add depth and dimension to the employees' jobs. It is advised that employee's value being given the ability and authority to achieve results for customers the most (Heskett et al, 1994). This points to being given the appropriate resources and training, and the freedom to make their own decisions. Dahlgaard, Kristensen and Kanji (1998) advise that employees must also be given the opportunity to suggest improvements within an organisation. It is argued that productivity can be improved by raising the number of suggestions for improvement per employee per year, thus involving the employees in the quest for continuous improvement (Dahlgaard et al, 1998).

According to Heskett et al (1994) internal quality comprises the following elements:

- Workplace Design
- Job Design/ Decision Making Latitude
- Selection and Development
- Rewards and Recognition
- Information and Communication
- Adequate Resources to Serve the Customers

These elements compare with the company's components of employee satisfaction, section 2.6 with figure 2.5, as follows:

<b>Heskett et al (1994)</b>	<b>The Company</b>
Workplace Design	Working Conditions
Bob Design/ Decision Making Latitude	The Job
Selection and Development	Personal Development
Rewards and Recognition	The Pay
Information and Communication	Information and Communication
Adequate resources to serve the customers	Working Conditions

From the explanation of internal quality and its requirements above, and the type of leadership required for the chain's success; it is recommended that in order to sustain a service oriented culture, the leaders need to ensure that the resources necessary to maintain internal quality are appropriately provided (Heskett et al, 1994). It is argued by

Hall (1996) that if a leader encourages creativity, instils commitment, and promotes collaboration, his employees will have a favourable attitude towards their jobs with a potential for productivity to be increased. Leadership will be discussed in greater detail in the next chapter.

### 2.3 Definition of Employee Satisfaction

Küskü (2003) advises that employee satisfaction reflects the degree to which the individual's needs and desires are met and the extent to which this is perceived by the other employees. According to Staples and Higgins (1998) employee satisfaction is generally perceived as the scope of the work and all the positive attitudes regarding the work environment. Gruneberg (1979) concludes that since people spend a great amount of their time at work, an understanding of the factors involved in their satisfaction at work is important for improving their well being.

Employee satisfaction thus may be broadly summarised as the fulfilment of a human being's need and desires within the occupational environment. When these needs and desires are appropriately met, the employee's satisfaction is increased, and as it has been shown earlier within the context of the Service Profit Chain, this ultimately leads to a gain for the company in terms of profit.

### 2.4 Theories of Satisfaction

Within the paradigm of this research, it was considered imperative to first discuss what makes humans satisfied, then to allude to what makes employees satisfied. Human satisfaction is covered in this section from 2.4.1 onwards, and employee satisfaction in the next section, i.e. 2.6.5.

#### 2.4.1 Maslow's Hierarchy of Needs

Maslow's Hierarchy of Needs is a content theory of motivation; Herzberg's Two Factor Theory is another important content theory. Maslow (1943) provided a theory which consisted of two parts:

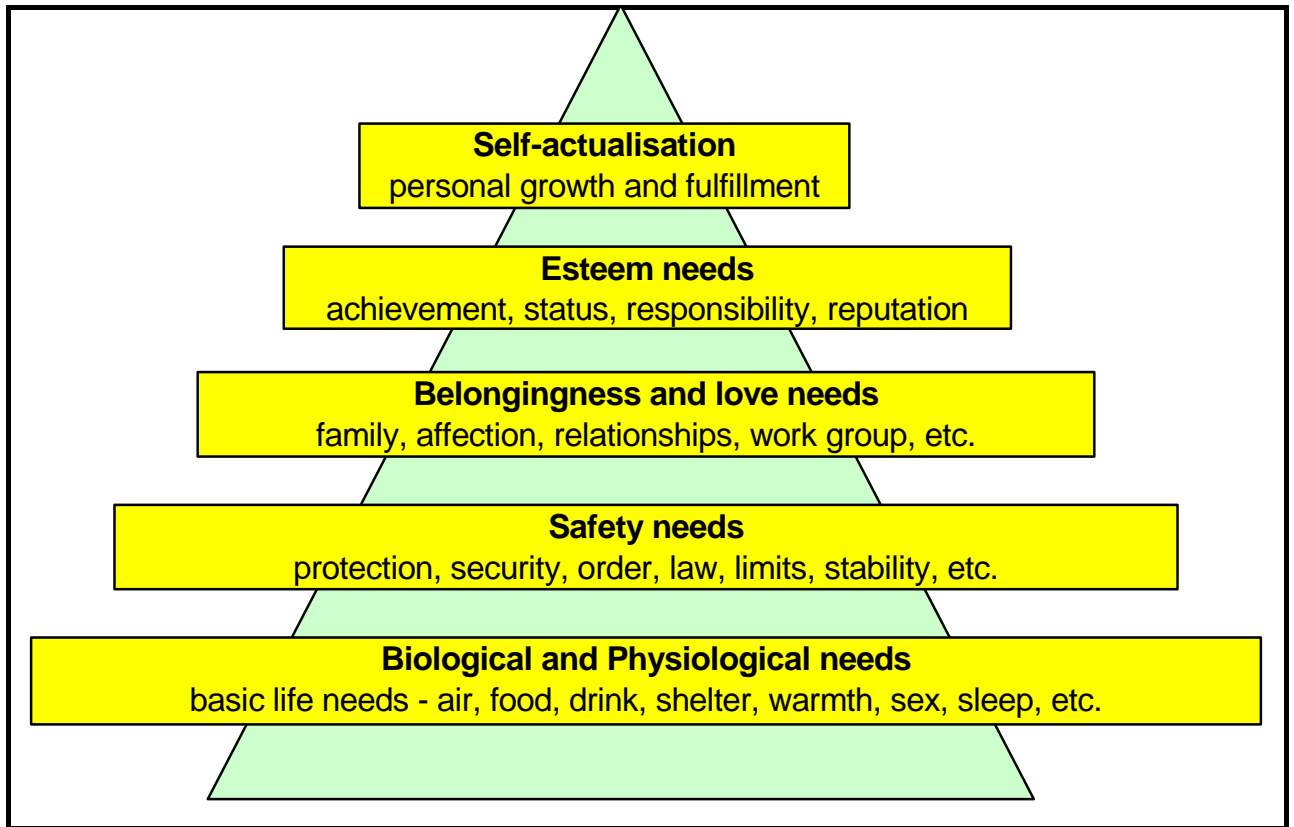
- Classification of human needs, and



- Consideration of how the classes are related to each other.

Each human being is motivated by needs (Maslow, 1943). Human beings' most basic needs are inborn, having evolved over tens of thousands of years. Maslow's Hierarchy of Needs, figure 2.1 below, helps to explain how these needs motivate human beings. Maslow's Hierarchy of Needs states that each need must be satisfied in turn, starting with the first, which deals with the most obvious needs for survival. Only when the lower order needs of physical and emotional well-being are satisfied is there concern with the higher order needs of influence and personal development. Conversely, if the lower order needs are not satisfied, there will no longer be concern about the maintenance of the higher order needs.

Figure 2.1 Maslow's Hierarchy of Needs



Source: Adapted from Berl, Williamson and Powell, 1984: 33

This model may be related to the occupational context as follows: employees will have to be satisfied according to where they lie within the hierarchy. Further, employees within the lower levels of organisations are more likely to be motivated by lower order needs, and employees within the higher levels of organisations are more likely to be motivated by higher order needs (Berl, Williamson and Powell, 1984). Finally, Berl et al (1984) mention some concerns with Maslow's theory, as follows:

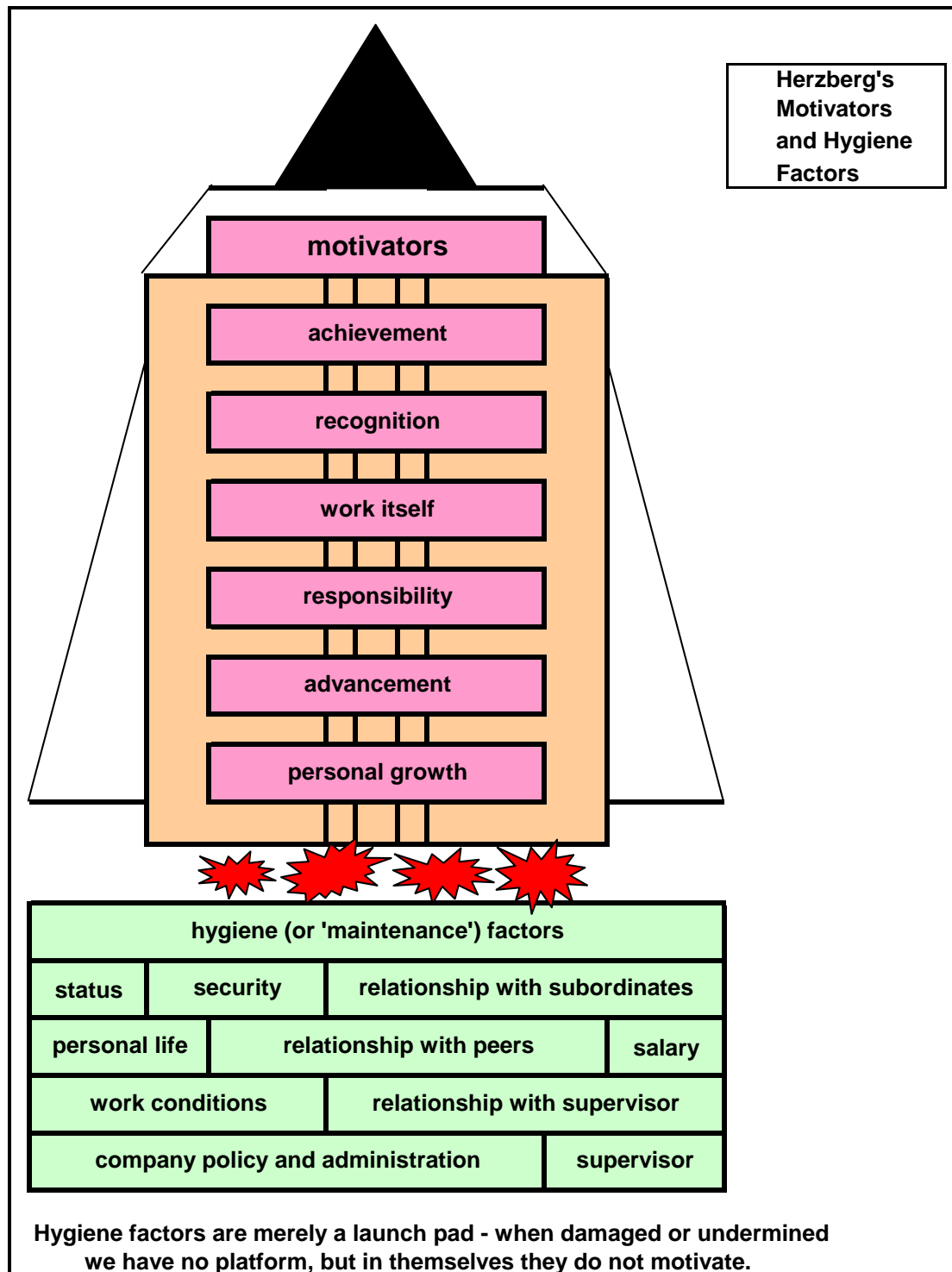
- Individual behaviour seems to respond to several needs – not only one
- The same need may cause different behaviour in different individuals
- The threshold of satisfaction of each level needs to be defined

#### 2.4.2 Herzberg's Two-Factor Theory

In an effort to understand employee motivation and satisfaction, Herzberg (1968) undertook to research the job attitudes of 200 accountants and engineers. These subjects

were asked to recall when they had felt positive or negative at work, and the reasons for these feelings. From this research, Herzberg suggested a two-step approach to understanding employee motivation and satisfaction, figure 2.2 below.

Figure 2.2 Herzberg's Two-Factor Theory



Source: Adapted from <http://www.businessballs.com/herzbergdiagram.pdf>, 2004

Herzberg (1968) identified two factors: hygiene and motivator factors. According to Herzberg (1968) hygiene factors are based on the need for an organisation to avoid unpleasantness at work. If hygiene factors are considered to be inadequate by the employees, this may lead to dissatisfaction at work. Some hygiene factors are:

- Company Policy and Procedures
- Pay and Fringe Benefits
- Quality of Management/ Leadership
- Quality of Inter-Personal Relationships
- Working Conditions
- Feelings of Job Security

Motivator factors are based on the individual employee's need for personnel growth (Herzberg, 1968). If these exist, they actively create job satisfaction. If these factors are effective, Herzberg (1968) advises that the individual may be motivated to achieve above-average performance and effort. Motivator factors include:

- Status
- Opportunity for advancement
- Gaining recognition
- Responsibility
- Challenging/ stimulating work
- Sense of personal achievement and personal growth with the job

Brockman (1971) advises that there is some similarity between Herzberg's and Maslow's models. Both models suggest that needs have to be satisfied for the employee to be motivated. However Brockman (1971) indicates that Herzberg argues that only the higher levels of the Maslow Hierarchy (e.g. self-actualisation, esteem needs) acts as motivators; and the remaining needs can only cause dissatisfaction if not addressed. Brockman (1971) advises that there is some evidence of ambiguity, of forced context, and of unjustified extrapolation of theory in Herzberg's theory, but overall Herzberg's recommendations seemed logical, to make common sense and fitted in well with what the average person might have observed.

#### 2.4.3 The Expectancy Theory

According to Quick (1998) Victor Vroom of Yale University is the person most linked to this theory. Leonard, Beauvais and Scholl (1999) advise that the expectancy theory relies upon extrinsic causes for behaviours exhibited in the workplace. In this theory, external rewards are seen as causing motivational states that fuel behaviours, as opposed to intrinsic motivators, where behaviours are derived as a consequence of internal forces such as enjoyment of the work itself. Shamir (1990) contends that motivational theories based on extrinsic motivation assume that the followers make conscious choices to maximise self-interest.

Isaac, Zerbe, and Pitt (2001) suggest that in essence the expectancy model suggests that an individual feels motivated when the following three conditions are perceived:

- The personal expenditure of effort will result in an acceptable level of performance
- The performance level achieved will result in a specific outcome for the individual
- The outcome attained is personally valued by the individual

From an organisational perspective Quick (1998) advises the use of the expectancy theory within appraisal systems to shift from a subjective, input oriented, to a more objective, results-measured orientation. Organisational goals must also complement personal goals.

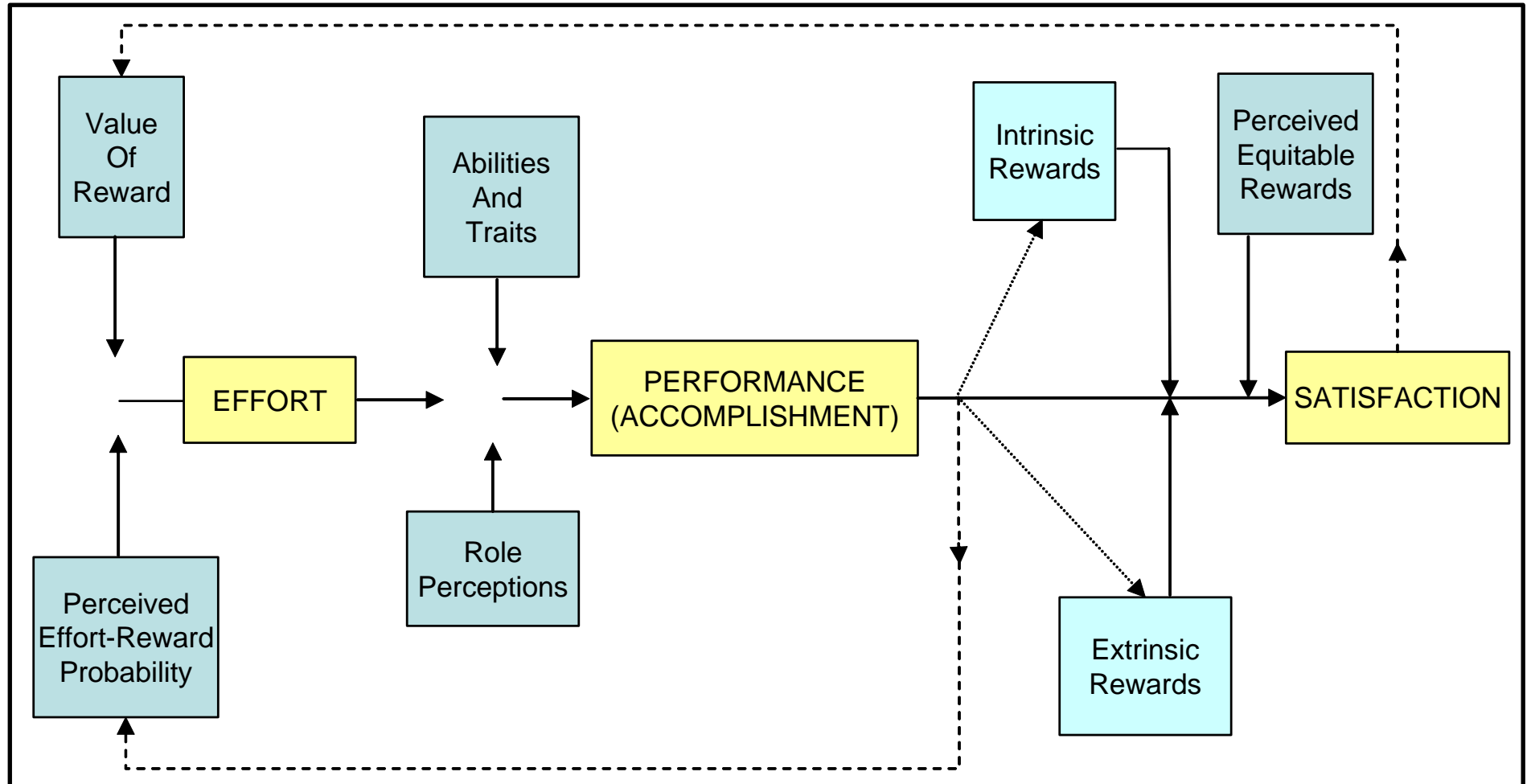
#### 2.4.4 The Porter and Lawler Model

Porter and Lawler devised perhaps the most complete model of the satisfaction-performance relationship (Sutermeyer, 1971). The model predicts that satisfaction results from performance itself, the rewards for performance and the perceived equitability of those rewards.

In the Porter and Lawler model, if an individual is attracted by the value of the reward,

then the individual will aim for a higher level of performance. If the individual also perceives that the increased effort will lead to a reward as highly probable, the individual will further increase his effort. Also, if the individual inherently has the required abilities, the individual's performance will also improve. If the intrinsic and extrinsic rewards the individual receives from the improved performance are perceived as equitable, then satisfaction will result, satisfaction being the difference between perceived equitable and actual rewards. In summary, the model predicts that performance leads to satisfaction rather than satisfaction leading to improved performance. Sutermeister (1971) advises that Porter and Lawler are careful to point out that the direction of causality the model predicts, remains to be validated in future research.

Figure 2.3 The Porter-Lawler Model



Source: Adapted from Sutermeister, 1971: 43



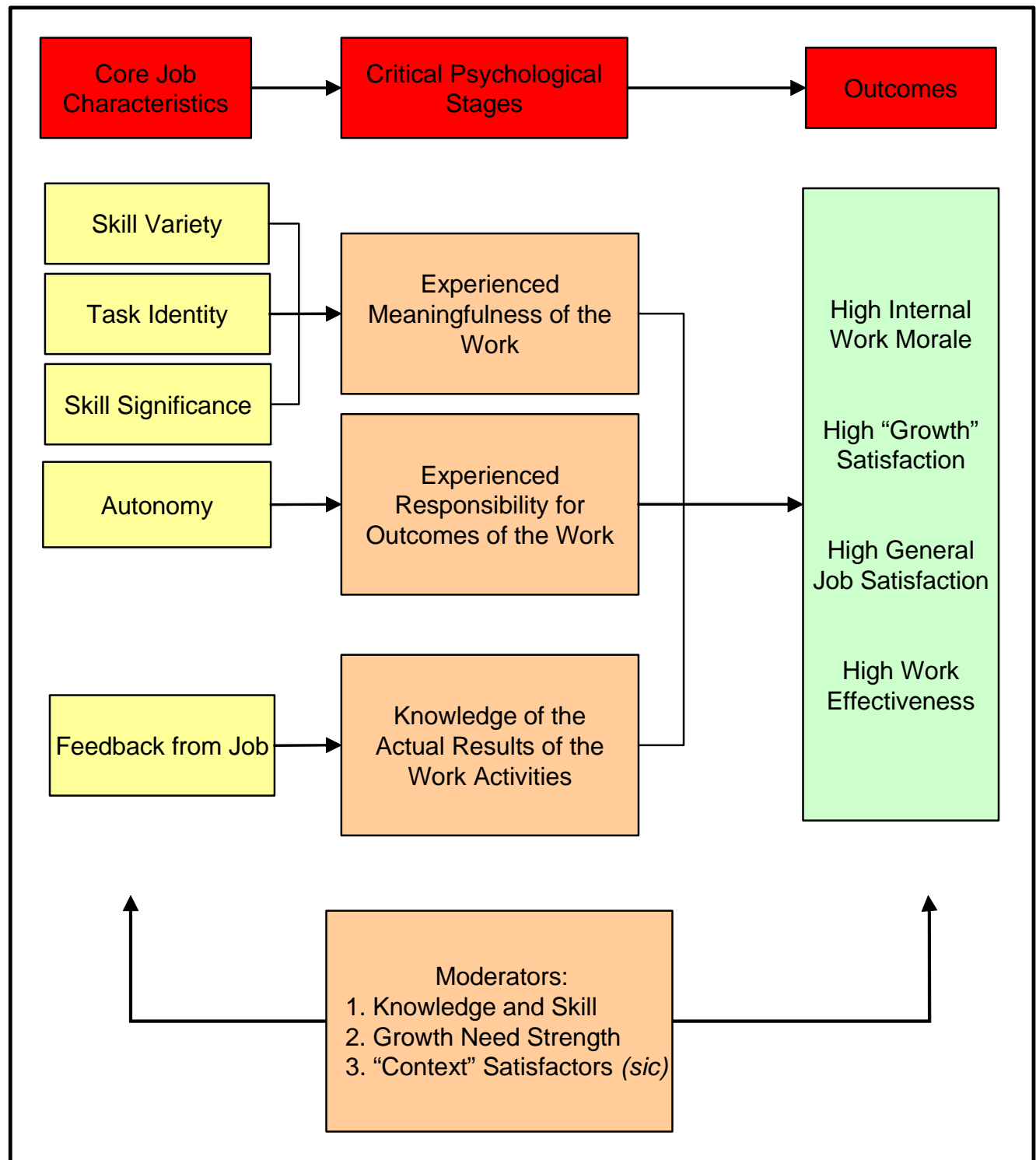
## 2.5 Theories of Employee Satisfaction

### 2.5.1 The Hackman and Oldham Model

Processes within organisations must be designed to meet not only the technical demands but also the human/ mental needs of the employees who work in it (Eskildsen and Dahlggaard, 2000). Dahlggaard, Kristensen & Kanji (1998) contend that continuously improving processes will improve quality and thus productivity, and if processes are further designed to fulfil the human/ mental needs, morale and motivation will increase, leading to an improvement in quality and productivity.

The underlying principle behind the Hackman and Oldham model, figure 2.4 below, incorporates both the technical and mental elements of job design. Evans and Lindsay (1996) confirm that the Hackman and Oldham model is a further development and operationalization (*sic*) of Herzberg's theory, and has been validated in many different organisational settings. Evans and Lindsay (1996) also mention that employee satisfaction can be improved if the job design incorporates empowerment and involvement, process ownership, job enlargement/ rotation and feedback about performance.

Figure 2.4 Hackman and Oldham's Work Design Model



Source: Adapted from Eskildsen and Dahlgaard, 2000: 1084

## 2.6 The Company's Model for Employee Satisfaction

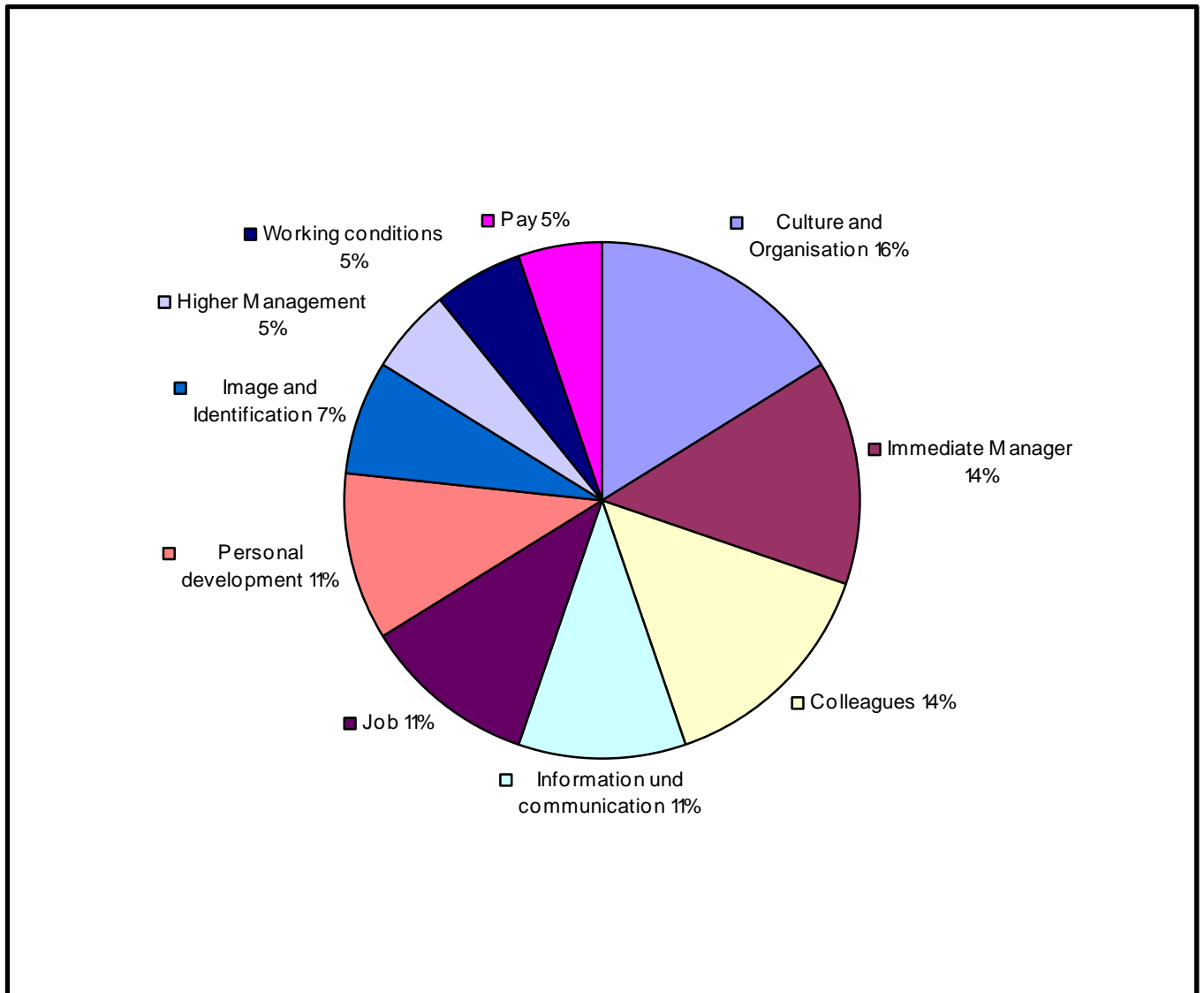
The measurement of employee satisfaction is now central to most quality-oriented strategies (Jamieson and Richards, 1996). Jamieson and Richards (1996) also contend that a recent development has been the recognition that employee satisfaction and loyalty reflect the more fundamental construct of employee commitment; and that it is commitment which may be a crucial driver in reinforcing employee-customer interaction.

The company's model for employee satisfaction was generated from the Employee Survey Questionnaire. Ten components of employee satisfaction were identified, together with their percentage contribution to the questionnaire, as follows:

- Culture and Organisation (16%)
- Immediate Manager (14%)
- Colleagues (14%)
- Information and Communication (11%)
- Job (11%)
- Personal Development (11%)
- Image and Identification (7%)
- Higher Management (5%)
- Working Conditions (5%), and
- Pay (5%)

Figure 2.5

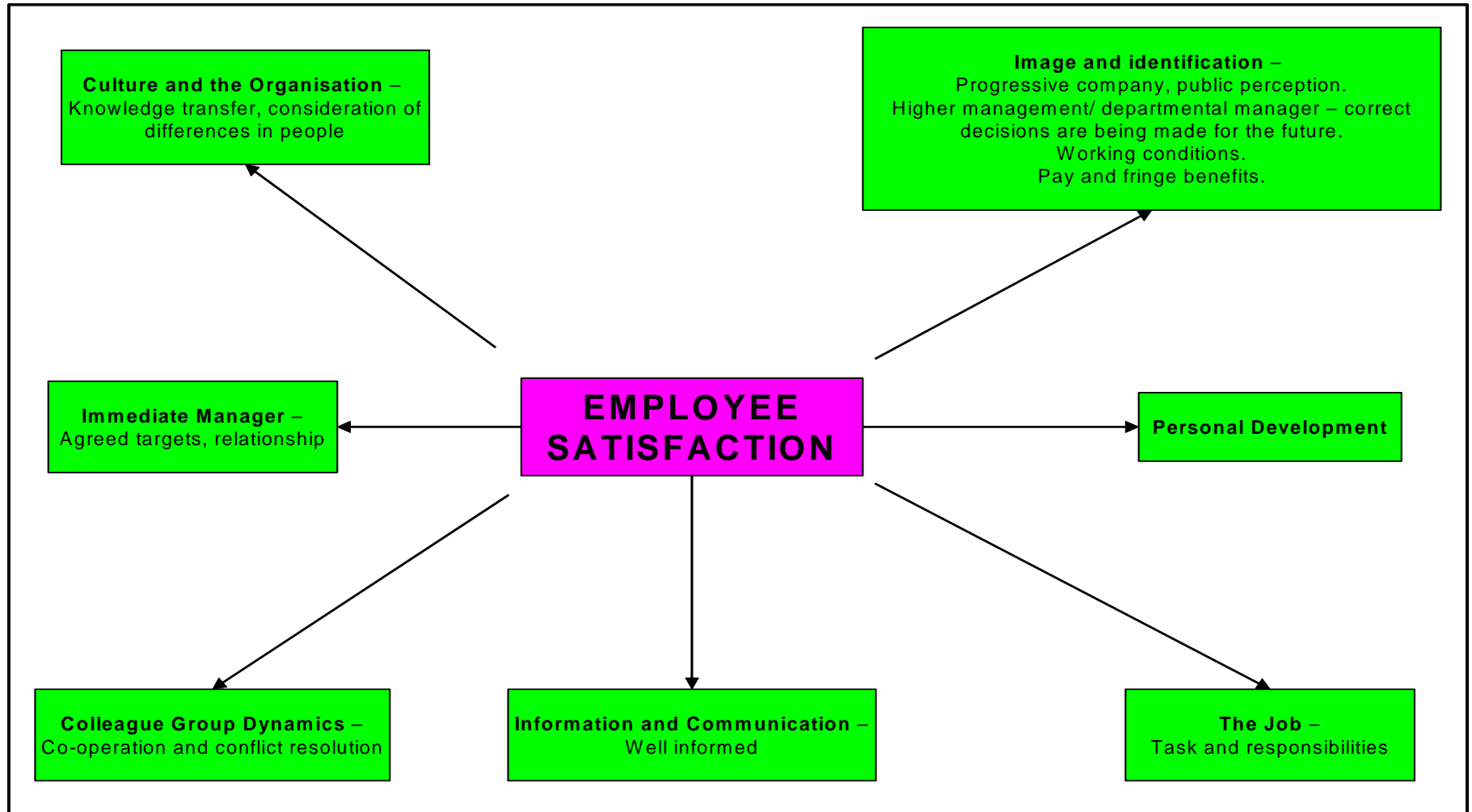
# The Company's Components of Employee Satisfaction



Source: Developed from information on the company's intranet website, 2004

Although 10 components for employee satisfaction were identified, this was reduced to 7 components by including the three components with a 5% contribution (Higher Management, Working Conditions and Pay) into the Image and Identification component, figure 2.6 below.

Figure 2.6 The Company's Employee Satisfaction Model



Source: Developed from the Company's intranet website, 2004

### 2.6.1 Culture and Organisation

This component of the questionnaire, and of the proposed model for the company, tests for the compliance of the company to the envisioned organisational culture of the company, i.e.:

- High-Low Power Distance - The company seeks to engender a low power distance culture where decisions are taken involving all stakeholders. Employees are allowed to be critical without suffering any disadvantages from management.
- Individualism-Collectivism - The company despises divisional and departmental hindrances that may hold back any progress within the organisation. Inter-departmental and inter-divisional co-operation and sharing of information is encouraged.
- High-Low Uncertainty Avoidance - Creativity is encouraged and employees are not punished for mistakes as long as prior management buy-in has been obtained for any projects of a risky nature.
- Synchronising Fast Processes - The time culture is not a straight line type as many tasks are co-ordinated to achieve the end result as soon as possible (doing sub-tasks at the same time that flow into the main task at the end).
- Relationship Orientation - A diffuse (holistic, loyal, long-term) relationship is encouraged where external factors are also taken into consideration, e.g. involvement with the local community.

### 2.6.2 Immediate Manager

The company expects its management to be professional; to be the industry benchmark:

- Objectives must be agreed and unambiguous
- The manager must coach the employee as appropriate
- The manager must praise the employee when targets have been exceeded
- Mistakes must be viewed as opportunities for improvement
- A relationship of trust must developed between the manager and the employee
- New ideas must be encouraged

### 2.6.3 Colleagues

- Co-operation between and within departments and divisions must be encouraged
- Conflict situations must be discussed openly and resolved collectively
- It is important that new colleagues are inducted and accepted into the organisation
- All employees must strive for outstanding performance

#### 2.6.4 Information and Communication

- Differences of opinion must be respected
- Information must flow as soon as possible from management
- Management must explain the reasoning behind important decisions
- Communication must be open and be based on mutual trust

#### 2.6.5 The Job

- Tasks and responsibilities must be well defined and the expectations understood
- Tasks must correspond with the skills and strengths of the employee
- Employees must be able to participate in decisions concerning their work
- The job must allow a good balance between private and personal life

#### 2.6.6 Personal Development

- Professional development must be determined by the employee's abilities and performance
- Development and continued education must be discussed by the manager with the employee
- Opportunities for continuous learning must be made available to employees

#### 2.6.7 Image and Identification/ Higher Management/ Working Conditions/ Pay

- A high level of job security must be provided by the company
- Employees need to have trust in management decisions for the future
- The physical facilities must be acceptable to the employees
- Adequate resources must be provided to the employees to perform their tasks effectively

- Employees must be satisfied with their pay and fringe benefits

## 2.7 The Benefits of Employee Satisfaction

Employee satisfaction and loyalty are seen as critical to the capability of service organisations to respond effectively to customer needs, whilst also driving down costs through reduced recruitment and training expenditure and all the cost efficiencies which accrue from skilled workers who are up to speed and familiar with both the tasks at hand and their customers (Silvestro, 2002).

The American quality “gurus”, such as Deming (1986) and Juran (1989) are unanimous and unequivocal in the view that increasing process ownership and job satisfaction will yield returns in both quality and productivity. The Japanese quality experts also emphasise the importance of the “human factor” in creating an environment for production excellence; and Ishikawa (1985) claims that quality organisations are characterised by showing respect for humanity, nurturing human resources, considering employee happiness and providing cheerful workplaces. Ishikawa (1985) insists that effective quality control relies on an understanding of the human drives. This includes the satisfaction of doing a job well, the happiness which comes from co-operation with others and from personal growth and fulfilment.

## 2.8 The Automotive Industry Context

Benko and McFarland (2003) contend that three trends currently pervade the global automotive industry:

- The manufacture’s changing relationship with the customer
- New partnerships with suppliers, and
- The re-invention of the factory shop floor

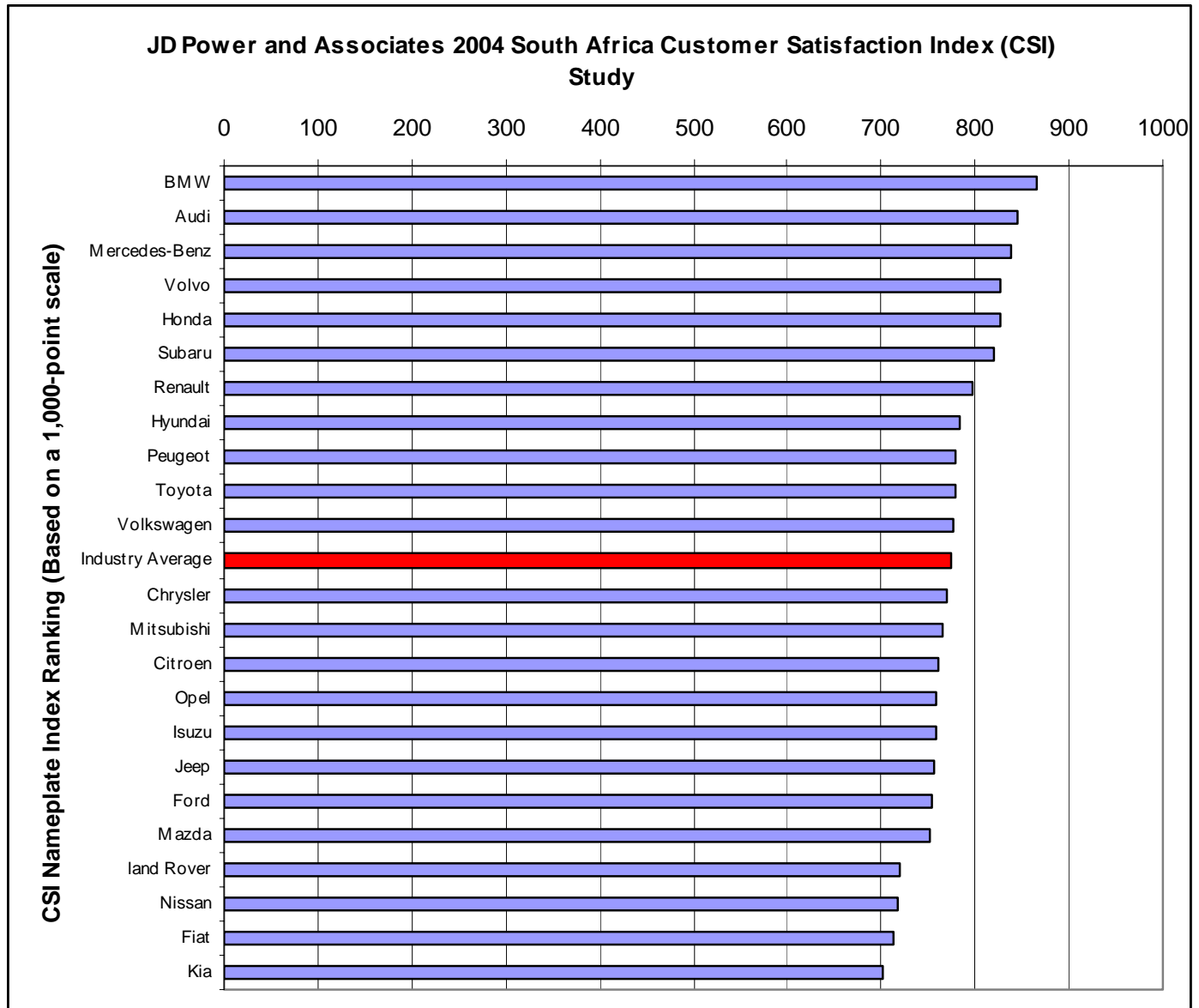
Customers are increasingly being given the opportunity to customise their purchases, including the exterior shape and interior features (Benko and McFarland, 2003). Manufacturers will have to better understand the needs of the customer and also to target their most profitable customers in order to be competitive in the future (Benko and McFarland, 2003). Within the Service Profit Chain (Heskett et al, 1994) employee



satisfaction links to employee productivity which links to external service value which then links to customer satisfaction, it may be considered imperative that manufacturers need to ensure high levels of employee satisfaction within the organisation to result in high levels of customer satisfaction.

Globally almost all motor manufacturers compete in a survey conducted by a company called JD Power and Associates. JD Power and Associates conduct research and customer satisfaction measurement for international automotive manufacturers. The results of the surveys are published world-wide and the researcher considers it as the benchmark of automotive quality world-wide. The results are also used extensively for marketing purposes. From figure 2.7 below, it can be observed that the heavyweights of the global automotive industry participate in the survey. In this example the customer satisfaction index is ranked on a 1000 point scale. Again, customer satisfaction is important for automotive manufacturers, and employee satisfaction being one of the key drivers for customer satisfaction, within the Service Profit Chain, must be maintained at high levels to achieve corresponding high levels of customer satisfaction.

Figure 2.7 JD Power and Associates: Example of a Survey Result



Source: Adapted from [www.jdpower.com](http://www.jdpower.com), 2004

## 2.9 The South African Automotive Industry Context

Customer satisfaction is measured independently in South Africa by a company called Proactive Insight, and the results are made public on a month-to-month basis. The reports measure product and service quality. Manufacturers use these independent results to drive internal improvement campaigns and also as a marketing tool to increase sales. Proactive Insight obtains the data from NAAMSA (National association of motor manufacturers of

South Africa). NAAMSA has engaged in this activity to encourage local manufacturers to remain competitive particularly with international competitors that are entering the South African market. Within the constraints of the Service Profit Chain, section 2.2, it is imperative for South African motor manufacturers to have satisfied employees within their manufacturing, administration and dealer network to result in satisfied end users or customers.

#### 2.10 The Company's Context

In a letter sent out to the company's world-wide operations, the company states that within its seven strategic target areas, one of the target areas is employee and public orientation. Encapsulated within this target area is the requirement to become the most attractive employer because the company believes that its employees are the essential factor in the success of the company. Consequently it is extremely important for the company that its employees are satisfied with their working conditions and environment.

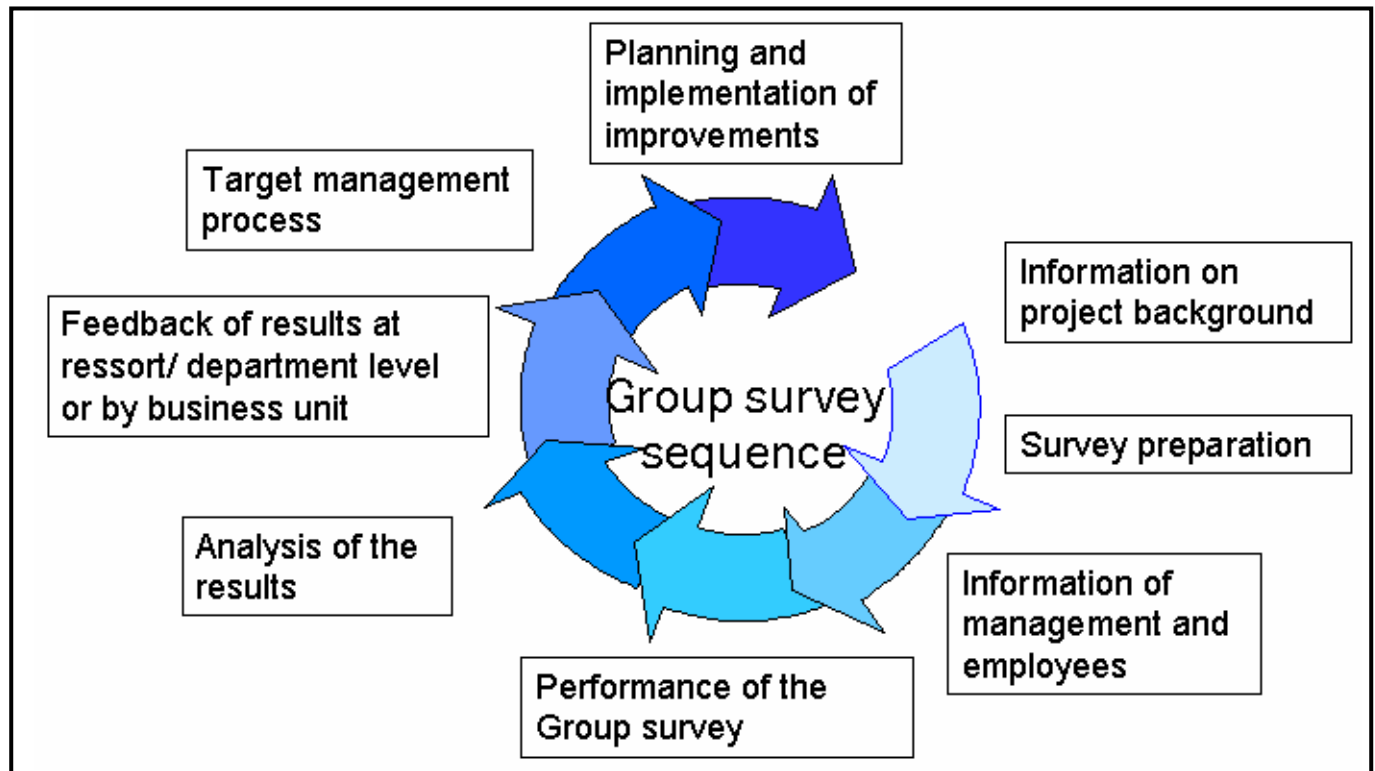
The company initiated a group wide employee satisfaction survey under the banner of "shaping the future together", and promises to use that indicator to be able to respond quickly and appropriately to changes. Figure 2.8 below presents the positioning of employee satisfaction within the company's human resources strategy; and this is an indication of the importance that company places on employee satisfaction. Figure 2.9 below, provides a description and sequence of the measurement of the employee satisfaction from project initiation to the planning and implementation of improvements.

Figure 2.8 Strategic Intent



Source: Developed from the Company's intranet website, 2004

Figure 2.9 Process for the measurement of employee satisfaction



Source: Developed from the Company's intranet website, 2004

## 2.11 Conclusion

This chapter conducted a literature review on employee satisfaction. The Service Profit Chain was discussed, and an understanding of employee satisfaction in an organisational setting was provided by discussing some theories of human satisfaction, theories of employee satisfaction and the company's model for employee satisfaction. The chapter also alluded to benefits of employee satisfaction and discussed the importance for employee satisfaction within the global, South African and the company's automotive context. Wilson Learning (1999) collected data from more than 25 000 employees in a variety of industries and found that 69% of employee satisfaction stemmed from the leadership skills of the managers. It is therefore appropriate at this stage that the next chapter will discuss the second variable within the research, leadership.

## Chapter 3: Leadership

### 3.1 Introduction

The previous chapter conducted a literature review on one of the two research variables, i.e. employee satisfaction. Within the previous chapter, the Service Profit Chain was presented together with an exploration into the understanding of employee satisfaction. An analysis of the employee satisfaction model within the company being researched was also presented, and finally the benefits of employee satisfaction and its importance within the automotive context were presented.

This chapter will present the literature review on the second research variable i.e. leadership. Ristow et al (1999) confirm that leadership is one of the world's oldest and most topical issues, and that it is generally accepted that the effectiveness of any grouping of people is largely dependent of the quality of its leadership. Leadership has been studied in many different ways, depending on the researchers' definition of leadership and methodological preferences. Leaders' traits, behaviour, power, influence and situational approaches have been covered in much of the leadership research by researchers such as McClelland and Burnham (1976), Mintzberg (1973) and Likert (1967). In recent years, researchers have tried to streamline and integrate these approaches and many studies are focusing on identifying the characteristics and value of transformational and transactional leadership styles. This research will focus on two types of leadership, viz. transactional and transformational leadership; where according to Pruijn and Boucher (1994) transformational leadership is seen as an extension of transactional leadership.

### 3.2 Definition of Leadership

Leadership is one of the world's oldest topics and is still topical today. Bass (1990) suggested that the study of leadership competes in age with the emergence of civilisation that shaped leaders and is still shaping leaders now. Bass (1985) advises that as the studies of leadership are wide and varied; one specific definition of leadership is a very complex task.

In general, leadership may be defined as a process of influencing other individuals to perform in such a manner so as to achieve a preconceived goal or goals. Stodghill (1974:11) defined leadership as the “....process of influencing the activities of an organised group in efforts towards goal setting and goal achievement”.

Leadership is a process of moving people in a direction that is genuinely in their long-term interests (Rutter, 1995). Nel, Gerber, van Dyk, Haasbroek, Schultz, Sono and Werner (2002) advise that leadership involves the exercise of influence and not coercion, and that the leader attempts to change the attitudes and actions that are related to specific goals.

Leadership should be distinguished from management, as Nel et al (2002) point out that managers are more concerned with short-term problems within organisations, whereas leaders take a much broader perspective and concern themselves with the environment, internal and external, to the organisation. Table 3.0 below from Nel et al (2002) demonstrates some of the important differences between leadership and management.

Table 3.0 Leadership versus Management

<b>Criteria</b>	<b>Leadership</b>	<b>Management</b>
<b>Change</b>	Provide a vision and initiate change	Implement changes as suggested by the leader
<b>People</b>	Inspire and develop	Control
<b>Power derived from....</b>	Ability to influence others	Authority
<b>Task</b>	Do the right things	Do things right
<b>Commitment to goal</b>	Passionate	Impersonal

Walters (1999:10) identified the following characteristics of leaders:

- “Leaders have the ability to create a vision and to excite people to try and achieve the impossible

- Great leaders have an external energy and an inner strength that see them through tough times
- Leaders have a mental agility that enables them to make effective decisions much faster than most other people
- Leaders allow their team members to grow, and to carry out tasks without interruption. They delegate power to others
- Leaders have the ability to tap into people's souls. They are emotionally intelligent, and enhance people's confidence by understanding and dealing appropriately with their emotions and concerns. This reflects the ability to adapt to the needs of different situations and people."

Leadership is a very demanding, unrelenting job with enormous pressures and grave responsibilities and the natural talents of good leaders need to be encouraged and developed (Nel et al, 2002).

### 3.3 Leadership Theories

#### 3.3.1 Trait Theories

The first models for leadership were based on the assumption that particular social, physical, and personal traits are inherent in leaders (Hellriegel and Slocum, 1999). Maude (1978) advises that the trait approach attempts to explain the leader's effectiveness in terms of the personality and psychological traits of the leader.

People in positions of power and influence were analysed by Bass (1990) in terms of their age, height and weight, physique, energy and health levels, eloquence, and appearance. Bass (1990) classified the factors affecting leadership within the context of the trait theories as summarised below:

- Capacity - intelligence, alertness, verbal facility, originality, and judgement
- Achievement - scholarship, knowledge, and athletic accomplishment
- Responsibility - dependability, initiative, persistence, aggressiveness, self-confidence, and the desire to excel



- Participation - activity, sociability, co-operation, adaptability, humour
- Situation - mental level, status, skills, needs and interests of followers, objectives to be achieved, and so on

Although the quality or trait approach to leadership assumes that leaders are born and not made, no common set of leadership characteristics or traits has been agreed upon (Nel et al, 2002).

### 3.3.2 Behavioural Approaches

In the late 1940's to the mid 1960's leadership research emphasised the preferred behavioural styles that leaders demonstrated rather than traits (Botha, 2001). Two main theories to the behavioural approach to leadership are McGregor's X and Y Theory and The Leadership Grid of Blake and Mouton. Botha (2001) emphasises that these models look at what effective and ineffective leaders actually do. This includes how they delegate to subordinates, where and when they communicate to others and how they perform their roles.

#### 3.3.2.1 McGregor's X and Y Theory

Within this theory a manager's assumptions about the nature of human beings impacts on the manager's behaviour towards employees (Nel et al, 2002). The manager's behaviour then influences the employee's behaviour, which again serves to reconfirm the manager's assumptions. McGregor's model identifies two types of leadership behaviour (Ristow, 1998: 46). Theory X represents the leadership style where leaders tell subordinates what is expected of them, how to perform their tasks, insist upon certain standards being met, and ensure that all employees know their place. Theory Y represents the leadership style where leaders consult with their followers, seek their opinions, and make sure that their followers are involved in the decision making process.

#### 3.3.2.2 The Leadership Grid of Blake and Mouton

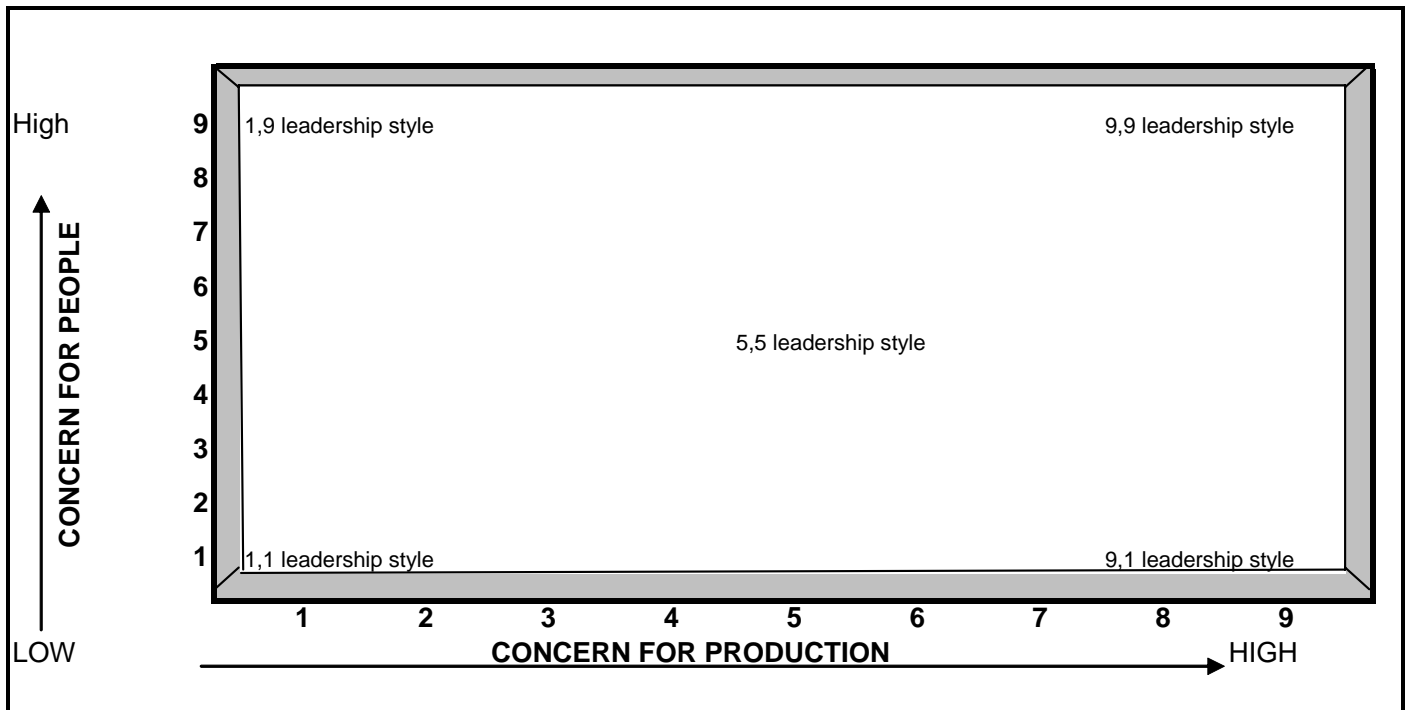
The grid was initially published as the Managerial Grid in 1964, and was republished as the leadership grid in 1991 (Nel et al, 2002). The grid compares different leadership

styles in terms of two dimensions:

- Concern for production; and
- Concern for people

Nel et al (2002) illustrate the grid and identify five combinations containing different magnitudes of the two behaviours, figure 3.0 below.

Figure 3.0 Blake and Mouton's Leadership Grid

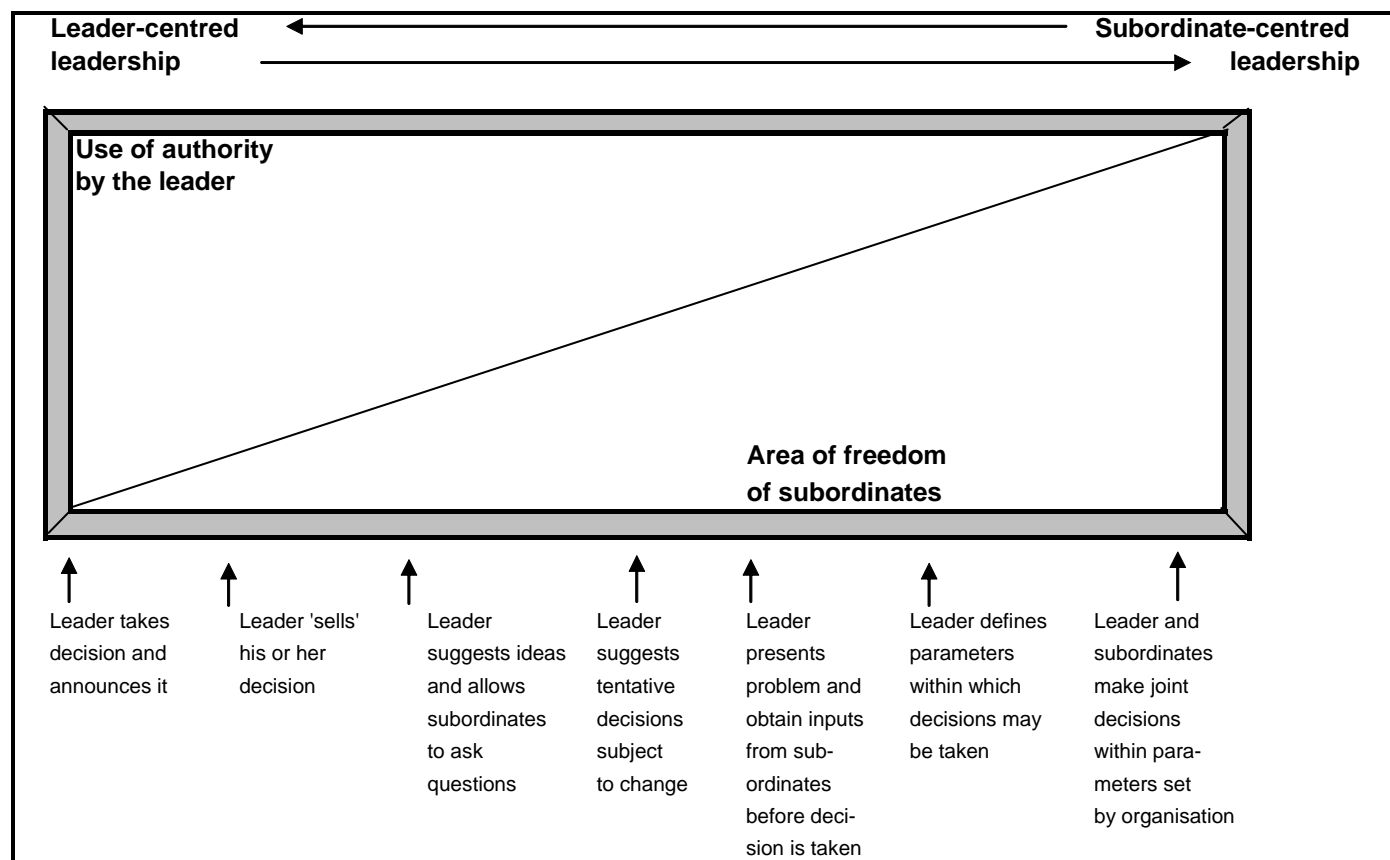


Source: Adapted from Nel et al, 2002: 357

### 3.3.3 Situational/ Contingency Approaches to Leadership

Tannenbaum and Schmidt (1958) described a leadership continuum that illustrates the situational and varying nature of leadership. The leadership style changes from leader-centred to subordinate-centred, as the leader exercises less authority and allows subordinates more influence and freedom to make their own decisions, figure 3.1 below.

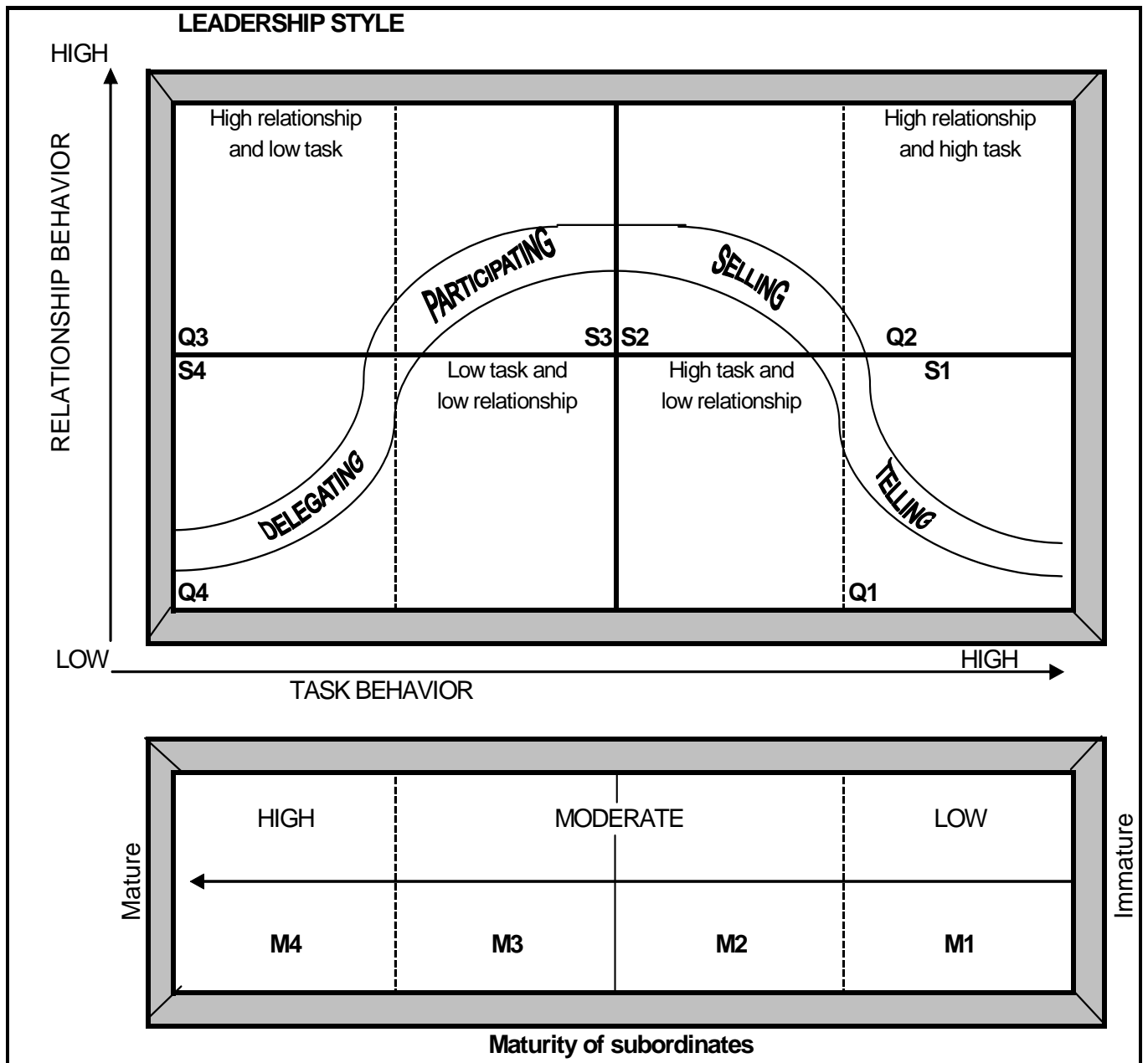
Figure 3.1 The Leadership Continuum of Tannenbaum and Schmidt



Source: Adapted from Tannenbaum and Schmidt, 1973:164

Theory was taken further by advocating that leadership behaviour is a function of the subordinates' maturity (Hersey and Blanchard, 1992). Basically, the leader determines the maturity level of the subordinates and then adopts the appropriate style, figure 3.2 below.

Figure 3.2 Hersey and Blanchard's Situational Leadership Theory



Source: Adapted from Hersey and Blanchard 1981: 6

The appropriate leadership style can be determined by drawing a vertical line on the continuum, from the identified maturity level of the subordinates, to where it crosses the bell-shaped curve.

#### 3.4.1 Transactional Leadership

Transactional leadership is a style of leadership which focuses on exchanging one thing for another (Ristow et al, 1999). Avolio et al (1991) conclude that transactional leaders clearly define, communicate and explain how the work should be done. The rewards that will be made if the requirements of the work are met are also clearly communicated. Bass (1985) mentions that transactional leadership is characterised by two factors of contingent reward: management-by-exception and laissez-faire; and this is discussed further in the next paragraph below. Transactional leaders motivate followers by appealing to their self-interest, whether it is subsidies, bonuses or status.

There are several different types of behaviour inherent in transactional leadership (Bass, 1985), as summarised below:

- Contingent Reward - These rewards are for good effort, good performance, and to recognise accomplishments.
- Management by Exception (Active) - This behaviour involves monitoring followers and correcting action, when necessary, to ensure that the work is carried out effectively. In other words, leaders watch and search for deviations from rules and standards.
- Management by Exception (Passive) - This involves intervening only if standards are not met. The leader uses contingent punishments and other corrective action to respond to obvious deviations from acceptable performance standards.
- Laissez-Faire - This behaviour entails avoiding decision-making and abdicating responsibilities.

#### 3.4.2 Transformational Leadership

According to Burns (1978) the leadership process can occur in one of two ways, either transformational or transactional. Ristow et al (1999) advise that transformational leaders do more with followers and colleagues than transactional leaders. They do not only set up simple exchanges and agreements. Bass (1990) mentions that transformational leaders possess charisma and therewith provide vision and a sense of mission, instil pride, and

gain respect and trust.

Transformational leaders employ one or more of the factors of transformational leadership, according to Bass and Avolio (1994).

- The first factor is called idealised influence where transformational leaders are role models for their followers. Here admiration, respect and trust are generated. The leader's behaviour is consistent rather than arbitrary, and the leader shares in any risks taken. The leader demonstrates high standards of ethical and moral conduct and avoids using power for personal gain.
- The second factor is inspirational motivation where transformational leaders motivate and inspire people around them by providing meaning and challenge with a focus on team spirit. Bass and Avolio (1994) indicate that transformational leaders are able to energise their followers' responses, and Bass (1990) confirms that they communicate high expectations, use symbols to focus efforts, and express important purposes in simple ways.
- The third factor is intellectual stimulation. According to Yammarino et al (1993) an intellectually stimulating leader arouses in followers an awareness of problems, recognition of their own beliefs and values, and an awareness of their own thoughts and imagination. Bass (1990) also mentions that transformational leaders promote intelligence, rationality, and careful problem solving. Bass and Avolio (1994) confirm that the results are that followers are encouraged to try new approaches; their ideas are not criticised when they differ from the leader's ideas.
- The fourth factor is individualised consideration where an individual follower's needs are attended to. Bass (1990) indicates that the transformational leader gives personal attention, treats each follower individually, and coaches and advises him. Bass (1985) concludes that such leaders provide continuous follow-up and feedback, and, perhaps more importantly, link an individual's current needs to the organisation's mission, and elevates those needs when it is appropriate to do so.

The characteristics of a transformational leader according to Tichy and Devanna (1996) are as follows:

- They identify themselves as change agents. Their professional and personal image is to make a difference and transform the organization which they have assumed responsibility for
- They are courageous individuals. These are prudent risk takers, individuals who take a stand
- They believe in people. They are powerful yet sensitive of other people, and ultimately they work toward the empowerment of others
- They are value-driven. Each transformational leader is able to articulate a set of core values and exhibited behavior that is congruent with their value positions
- They are life long learners. A transformational leader is able to talk about mistakes he/she has made without seeing them as failures but as learning experiences
- They have the ability to deal with complexity, ambiguity and uncertainty. A transformational leader is able to cope with and frame problems in a complex, changing world
- They are visionaries. They have the ability to dream and the ability to translate those dreams and images so that other people can share them.

### 3.4.3 Full Range Leadership

The Full Range Leadership Development Model was developed by Bass and Avolio (1994), figure 3.3 below, which states that the most effective form of leadership is a combination of both transactional and transformational leadership. Bass and Avolio (1994) used the trait and behavioural approaches to leadership; and the transactional and transformational approaches to leadership within the model. Bass and Avolio (1997) performed extensive research in both transactional and transformational behaviours, and thereafter identified seven leadership factors.

The transformational factors that emerged were:

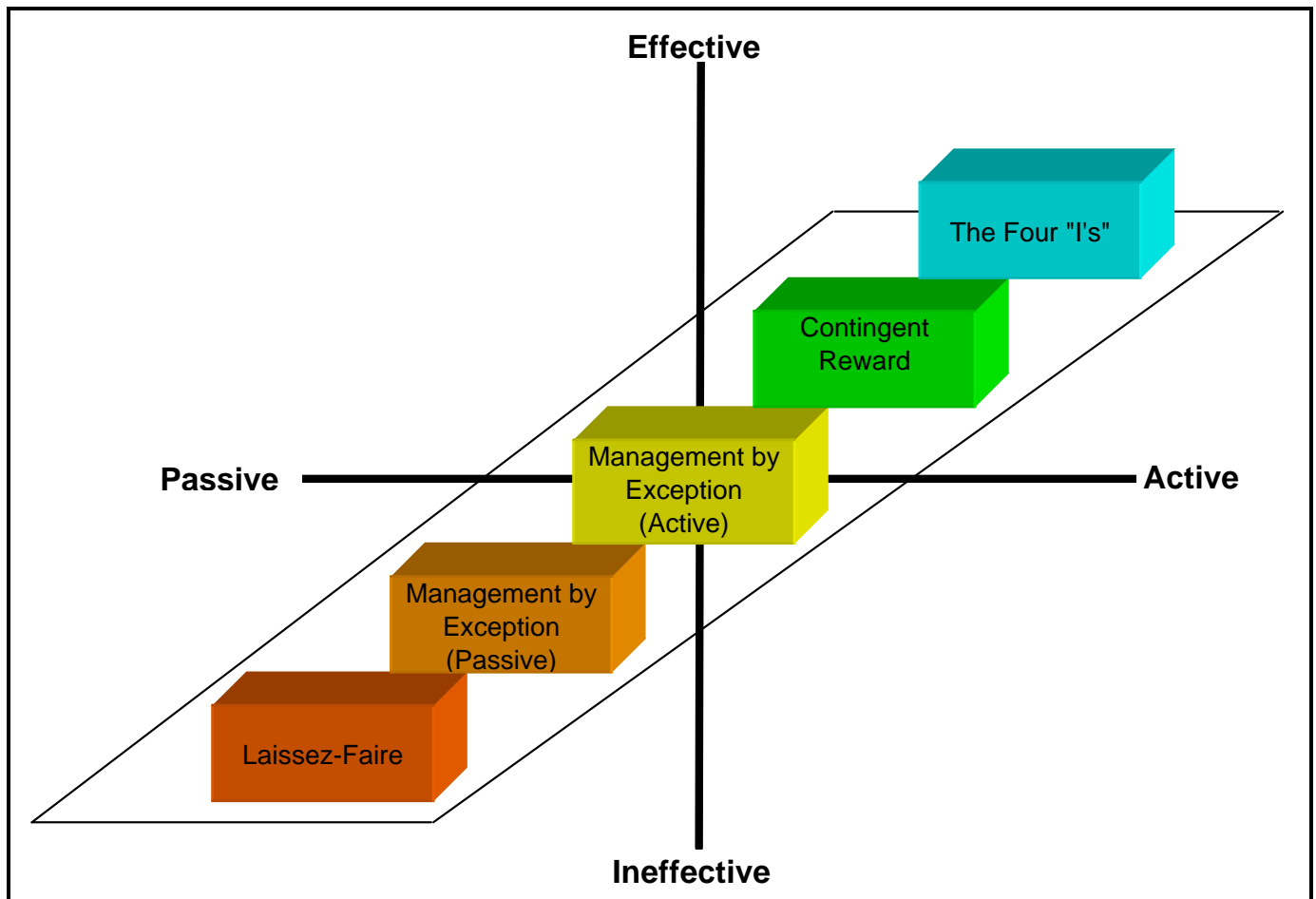
- Charisma (or idealised influence)
- Inspirational motivation
- Individualised consideration; and
- Intellectual stimulation

The transactional factors that emerged were:

- Contingent reward; and
- Management by exception

Laissez-Faire leadership was identified as a non-transactional factor.

Figure 3.3 The Full Range Leadership Development Theory



Source: Adapted from Bass and Avolio, 1997: 41

Leaders using the above four transformational behaviours are able to motivate followers to perform above expectations and transcend their own self-interest for the sake of the organisation.

A number of researchers (Ristow et al, 1999 and Botha, 2001) have tested the Full Range



Leadership Development Theory within different contexts and for different reasons. These studies provide empirical support for the Full Range Leadership Development Theory as a measure for transactional and transformational leadership within different organisational circumstances.

### 3.5 The South African Context

An overview was provided by Denton and Vloeberghs (2002) of the recent changes and subsequent new challenges for South African organisations in an ongoing rapidly changing environment. Denton and Vloeberghs (2002) indicate that the post-election period since 1994 has forced South African managers to learn rapidly and handle situations differently. Organisations have been forced to become more competitive to retain and protect local markets against international competitors, as well as to ensure that they are able to compete internationally.

South African organisations were suddenly thrust into the international competitive arena after the 1994 elections (Denton and Vloeberghs, 2002). International competition has forced many organisations towards re-engineering processes and streamlining of operations to improve efficiency. Denton and Vloeberghs (2002) add that with globalisation, national managerial concepts have had to follow those of the international arena and meet the same challenges.

In terms of cultural dimensions of South African managers there is a significant difference between black and white racial groups (Booyen, 2000). The white profile was found to be largely congruent with Western or Eurocentric (*sic*) management systems, which tend to emphasise competition and a work orientation, free enterprise, liberal democracy, materialism, individual self-sufficiency and development, exclusivity, planning methodology and structure.

The black profile was to be to a large extent opposed to the Western or European management systems, and comparable to the Afrocentric (*sic*) management system, which emphasises collective solidarity, inclusivity (*sic*), collaboration, consensus and

group significance, concern for people as well as working for the common good, structure through rituals and ceremonies, patriarchy, respect and dignity.

From a cultural difference of South African managers, Booyen (2000) maintains that if South African organisations are to survive, the dominant Western management paradigm needs to change toward valuing both the Western and Afrocentric (*sic*) management systems alongside each other as equally important. South African leaders need to understand the different cultural expectations of its people.

South Africa maintains a very low profile in the World Competitiveness Survey and this indicates a need to identify and develop more leaders and to create organisational cultures which encourage and support leadership (Nel et al, 2002). Within the Full Range Development Model (Bass and Avolio, 1994) it is imperative for South African Leaders to utilise the transformational factors of leadership (Charisma, Inspirational Motivation, Individualised Consideration and Intellectual Stimulation) to facilitate an understanding of the different cultures within South Africa for the organisation to survive (Booyen, 2000).

### 3.6 The Automotive Industry Context

Today's automotive leaders face the new and pressing challenge of rising customer expectations (Benko and McFarland, 2003 and Blake et al, 2003). Benko and McFarland (2003) advocate that the challenge of the future will be the management of the company's relationship with its customers. Benko and McFarland (2003) advise that manufacturers need to build strong relationships with their customers, create a better understanding of their needs and personalise their relations with the customers. Blake et al (2003) mention that in addition to the expanding and intensifying expectations of customer satisfaction, fewer customers are prepared to wait for the delivery of their vehicles. Blake et al (2003) contend that a new collaborative business model is required in order to be successful in the future, and most important that this new model requires strategic leadership to be successful. The aim of this model is to identify a community of partners which can create superior performance in one (or more) of three identified critical areas: customer

responsiveness, speed to market and innovation. Blake et al (2003) conclude that over time, this will enhance customer satisfaction and generate a higher return for shareholders.

From the above it may be considered imperative to have satisfied customers, and as argued within the Service Profit Chain by Heskett et al (1994), section 2.2, satisfied customers stems from external service value which stems from employee productivity which stems from employee satisfaction, and which in turn stems from internal service quality. Heskett et al (1994) contend that good leaders engender a culture of service among employees and display a willingness to listen to employees; and internal quality is characterised by the attitudes that employees have to one another and the manner in which they serve each other within the organisation. Leadership may therefore be considered to be important to maintain good internal quality levels. Within this research in an automotive manufacturer, it may be concluded that effective leadership is imperative to face the challenges of customers of the future.

### 3.7 The South African Automotive Industry Context

The researcher has worked in the South African automotive industry for 15 years and finds the management and leadership within the automotive industry to be generic with most other industries in South Africa as described by Grobler (1996) and Pretorius (1995) below.

South Africa is held back by major deficiencies in people and management, and its attempt to create human capital needed for growth is nothing short of disastrous (Grobler, 1996). Pretorius (1995) proposes that in a changing world, the concepts of command and control are no longer acceptable, and orders from management have become largely ineffective. Pretorius (1995) concludes that leadership aimed at the future will require integrity, fairness, justice, respect for the individual, and sensitivity for cultural diversity.

Seltzer and Bass (1990: 694) contend that the desired results can be found in the transformational approaches to leadership. Here leaders inspire their followers; deal

individually with subordinates to meet the development needs, and encourage new approaches for solving problems.

It is clear that the present level of leadership practices in South Africa is far from satisfactory (Grobler, 1996: 33). At present, South African companies do not appear to be capable of handling the challenges facing them, but the rapidly changing South African business scene makes immediate action imperative. The success of the process depends on the competence of South African managers, and in particular, the leaders who determine the returns that (*sic*) organisations realise from their human capital. South Africa's strength is in its diversity. Achieving its goal must start immediately!

### 3.8 The Company's Context

The company has a leadership model which provides a uniform understanding of leadership within the company's group world wide. The model serves as a point for orientation into the group and as a group standard for leadership. The company believes that good leaders are neither born nor made; the company contends that good leaders evolve. Good leaders must use their individual talents to ensure continuous self-development. Within the company, self-reflection is considered as the foundation of the learning process. This entails reflection on one's behaviour, leadership style, communication and the individual's attitude towards change.

The model also serves as a valid means of evaluation for all levels of management. Some evaluation criteria receive greater emphasis than others, depending on the level of the manager. The company's leadership model is not static; as it underlines a notion of change which the company believes can only be maintained through constant reflection. While the promotion of the company's leadership model is the responsibility of the Human Resources division, all leaders are responsible for putting the guidelines into practice.

The leadership model rests on ten principles as referenced in Appendix D. As is evident from the model, the company takes the importance that leadership plays in shaping the

future of the organisation seriously. The company openly states that its employees determine the success of the company. In order for the group to be successful in the future, all employees need to contribute their skills and abilities for the benefit of the company and to develop them further. The relationship between all employees needs to be characterised by respect and mutual understanding and also by openness and fairness. The company believes that working in this way will lead to better business performance, which has a direct impact on the rewards and opportunities for all employees. Further, the core message from the company regarding the leadership model is to:

- To generate a culture of trust
- To give orientation
- To promote co-operation, and
- To realise responsibility

### 3.9 Conclusion

This chapter provided an insight into the concept of leadership and presented the argument of the importance of leadership for the organisations success. Leadership was defined and a comparison between management and leadership was presented. Various leadership theories were discussed; from trait theories to the development of the full range leadership development model. The importance of leadership within the South African, the global automotive industry, the South African automotive and the company's context was also explored.

The next chapter will provide an overview of the research methodology of this study. The goals and the hypothesis of the research will be presented. In addition the research design, ethical considerations, the research population and sample and the instruments used and their reliabilities will be discussed. A description of the pilot study, process of data collection, data collection and data analysis will also be alluded to.

## Chapter 4: Research Methodology

### 4.1 Introduction

The previous chapters have reviewed the literature regarding employee satisfaction and leadership. Human satisfaction and employee satisfaction and the factors affecting human and employee satisfaction were discussed. The company's model for employee satisfaction was also explored. Various leadership theories were discussed in order of the development of leadership theory, culminating in an explanation of the Full Range Leadership Development Theory. The South African context was taken into consideration during the review of employee satisfaction and leadership literature. The Service-Profit-Chain was used as a basis to argue the research topic which looks at the relationship of leadership and employee satisfaction.

The main objective of this research is concerned with the leadership and employee satisfaction within an automotive manufacturer situated in the Gauteng province in South Africa. From the identification of the broad objective of this research, a specific hypothesis was developed. The hypothesis, as described in the next paragraph, is basically concerned with the relationship of the leadership style being practised within the organisation and the level of employee satisfaction within the organisation.

### 4.2 Goals of the Research and the Hypothesis

This research questions the hypothesis that good leaders are a prerequisite for having satisfied employees. This hypothesis is tested within an automotive manufacturer based in Gauteng province in South Africa. The company emphasises leadership, section 3.8, and the result of the research will be fed-back to the headquarters in Europe for further analysis and discussion. The result of the research could mould how future management development training will be configured within the company being researched. There has been significant co-operation from the Human Resource Division based at the company's headquarters in Europe, including provision of the employee satisfaction questionnaire and the results of the analysis of the reliability of the company's measurement instrument for employee satisfaction.

The hypothesis for this research is as follows:

**Ho: No statistically significant relationship exists between leadership style and employee satisfaction levels within an automotive manufacturing organisation**

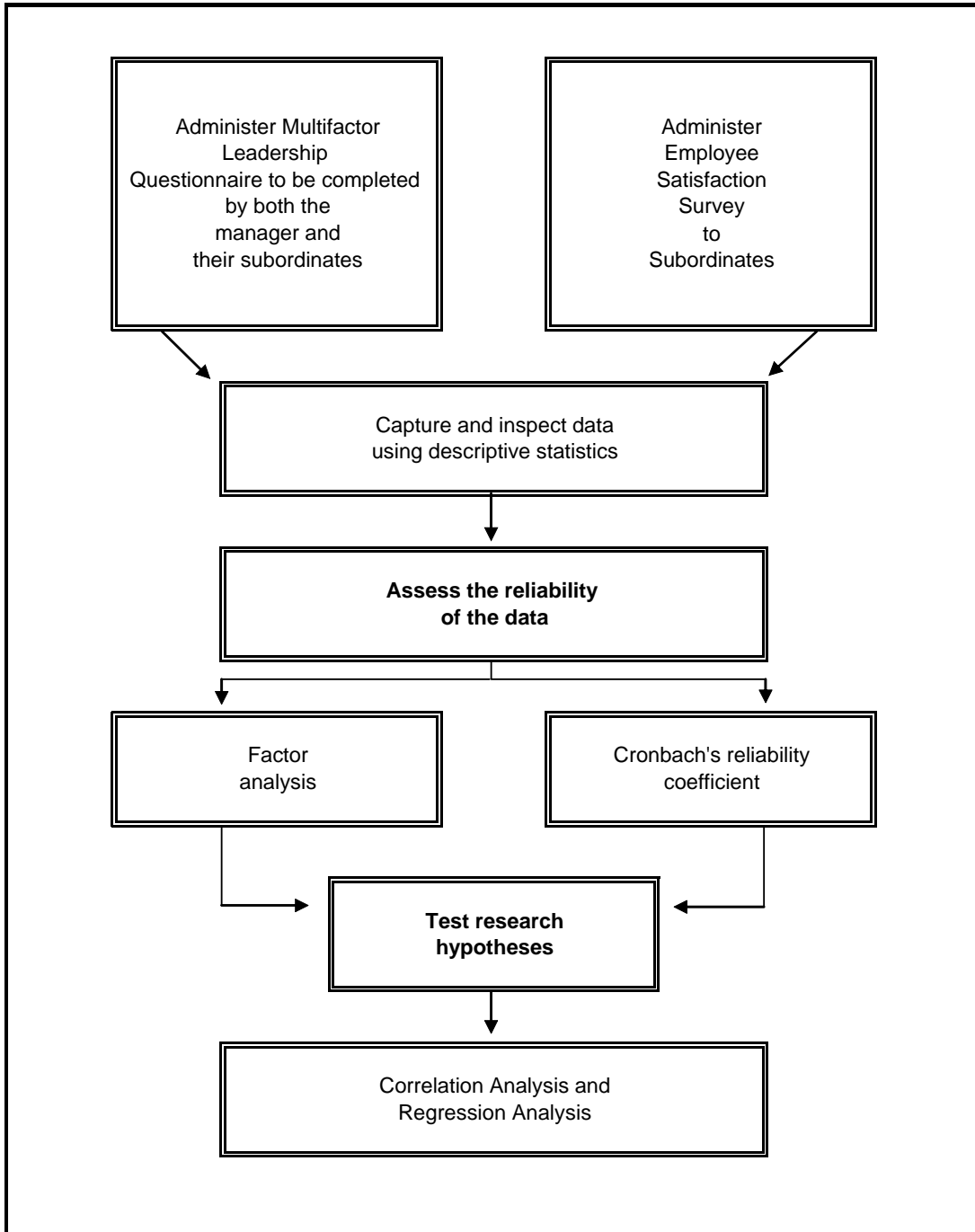
**Ha: A statistically significant relationship exists between leadership style and employee satisfaction levels within an automotive manufacturing organisation**

This chapter describes the process followed to test the above hypothesis within this research. The research design, population, sampling and instruments used will be discussed. A description of the data analysis used in this research will also be discussed.

#### 4.3 Research Design

Adams and Schvaneveldt (1985: 103) advise “research design refers to a plan, blueprint, or guide for data collection and interpretation - set of rules that enable the investigator to conceptualise and observe the problem under study.” From the hypothesis, section 4.2, it is evident that the research is of a quantitative nature. Figure 4.0, as follows, provides a starting point by describing the research design used for this study.

Figure 4.0 A Schematic Representation of the General Research Design





#### 4.3.1 Ethical Considerations

The automotive manufacturer assessed in this research requested that the name of the organisation be excluded from the study. A policy of anonymity of the employees had to be adhered to, as various confidential data was accessed by the researcher. However, in order to ensure the success of the study, managers were linked to subordinates in such a manner that each subordinates' input remained anonymous apart from being linked to a particular manager.

#### 4.4 Research Population and Sample

According to Frankfort-Nachmias and Nachmias (1996) a population encompasses the entire relevant unit of analysis or data. Black (1999) concludes that a population is considered to be any group of people who share a common set of traits and are therefore of interest to the researcher. In this research, out of a population of 130 managers, a sample size of 80 managers was selected, all with 4 or more subordinates, for the administration of the self-rater version of the MLQ. Thirty managers successfully filled-in and returned the questionnaires, resulting in a response rate of 37%. A sample of 610 subordinates was targeted from a population size of approximately 2000. A total of 252 questionnaires were returned, resulting in a response rate of 41%. As not all managers had a minimum of 4 returned questionnaires, only 201 questionnaires were used for the purpose of this research.

#### 4.5 Instruments Used

##### 4.5.1 Multifactor Leadership Questionnaire (MLQ)

Chapter 3 presented a literature review on leadership, and for the purpose of this research, the Full Range Leadership Development Theory forms a suitable theoretical basis for leadership (Seltzer and Bass, 1990). The Multifactor Leadership Questionnaire is based on the work of leadership theorists like Bass, Avolio and Yammarino (Avolio and Bass, 1997). It has been improved and tested since 1985 with the result that many versions of the questionnaire have been developed.

The latest version, Form 5X (Revised) was used in this research. The Form 5X (Revised) contains 45 statements which identify and measure the key attributes of leadership and effectiveness behaviours which Bass and Avolio (1997) have shown to be associated with individual and organisational success. Each statement corresponds to one of the nine components of transactional, transformational or non-transactional leadership attributes. The respondent is required to assess how frequently the behaviour described in the statements is exhibited.

The MLQ comprises a 5 point Likert scale and raters were instructed, during the administration of the questionnaires to the managers and subordinates by the researcher, to mark the most suitable answer. The scale ranges from 0 to 4 as follows:

- 0 - Not at all
- 1 - Once in a while
- 2 - Sometimes
- 3 - Fairly often; and
- 4 - Frequently if not always

The MLQ consists of a self-rater and a rater version, Appendix A and Appendix B respectively. These two versions consist of exactly the same statements, apart from the fact that they are written from different perspectives. The leader, for example, would be given the statement, “I place trust in those I lead”, whereas the follower’s questionnaire would say, “My leader places trust in those that he or she leads.”

The questions in the MLQ establish the leader’s style in terms of the transactional, transformational and non-transactional leadership factors discussed in 3.4.1, 3.4.2 and 3.4.3 respectively. In this study, the managers completed the self-rater questionnaire, and the subordinates completed the rater questionnaire. For the final statistical analysis, the self-rater (leader) and rater (subordinate) versions were combined in order to provide a holistic and objective understanding of the leadership being practised within the company being researched.

#### 4.5.2 Reliability and Validity of the MLQ

Reliability and validity are two key components to be considered when evaluating a particular instrument. According to Bless and Higson-Smith (1995) reliability is concerned with the consistency of the instrument; and an instrument is said to have high reliability if it can be trusted to give an accurate and consistent measurement of an unchanging value. According to Whitelaw (2001) validity tests show how well an instrument measures the particular concept it is supposed to measure. Whitelaw (2001) argues that an instrument must first be reliable before it can be valid, implying that the instrument must be consistently reproducible; and that once this has been achieved, the instrument can then be scrutinised to assess whether it is what it purports to be.

The MLQ has been tested for reliability and validity in many settings (Pruijn and Boucher, 1994). Bass (1985), Bass and Avolio (1989) and Yammarino and Bass (1990) have proved the content and concurrent validity of the MLQ. Avolio and Bass (1997) also proved the construct validity of the MLQ. According to Bass and Avolio (1997) further reliability of the MLQ has been proven many times through test-retest, internal consistency methods and alternative methods. Examples are the calculation of Cronbach's Alpha reliability scores by Pruijn and Boucher (1994) and factor analysis on the various transactional and transformational variables by Bycio, Hackett and Allen (1995).

The MLQ has been tested in the South African context. Ackermann, Schepers, Lessing and Dannhauser (2000) utilised the MLQ to determine whether the factor structure of the MLQ as a measure of transformational leadership could be replicated in South Africa. Ackermann et al (2000) determined the reliability of the three main leadership scales within the MLQ, viz. transactional, transformational and non-transactional using Cronbach's Alpha coefficient. The resultant scores of 0.736, 0.944 and 0.803 were obtained respectively. Botha (2001) indicates that the factor structure as developed by Bass (1985) was confirmed by the results of the Ackermann et al (2000) study. Refer to 4.9.2 below for a definition of Cronbach's Alpha Coefficient.

#### 4.5.3 Employee Satisfaction Questionnaire

The company's aim is to become the most successful premium automotive marque producer. The company has aligned its strategy to include a target area of "Employee and Public Orientation." Because the company believes that employees are the essential factor for its success, it has encapsulated a requirement to become the most attractive employer within its strategic target, Figure 2.8. The company realises that the working conditions and environment are important for its employees, and has initiated a group-wide employee satisfaction survey in 2002 to use as an indicator and to enable quick and appropriate response to employee concerns. In 2002, the survey was done in 28 countries, in 17 languages, and yielded a response rate of 86%. This survey forms the basis for the measurement of employee satisfaction within this research project.

The questionnaire (refer Appendix C) comprises 56 questions, grouped into 10 sections of employee satisfaction. The sections and the respective percentage contribution are as follows:

- Culture and Organisation (16%)
- Immediate Manager (14%)
- Colleagues (14%)
- Information and Communication (11%)
- Job (11%)
- Personal Development (11%)
- Image and Identification (7%)
- Higher Management (5%)
- Working Conditions (5%); and
- Pay (5%)

The questionnaire comprises a 7 point Likert scale and employees were instructed to circle the most suitable answer for example:

No.	Item	Completely agree	Mostly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Mostly disagree	Completely disagree
1	The conditions at my workplace (noise, ventilation, physical stress, lighting, space, cleanliness, etc.) are acceptable to me.	1	2	3	4	5	6	7

#### 4.5.4 Reliability and Validity of the Employee Satisfaction Questionnaire

The results of Cronbach's reliability test for the questionnaire, Appendix F, were obtained from the company's headquarters in Europe and are as follows:

- Working Conditions (0.8129)
- Working Conditions and Job Security (0.8141)
- Working Conditions and Pay (0.8529)
- The Job and Vocational Development (0.8922); and
- Pay (0.8903)

As Sekaran (1992) advises in 4.9.2 below, scores in the range of 0.8 are considered good. Since all 5 reliability Alpha scores are greater than 0.8, the reliability of the employee satisfaction questionnaire may be considered good. No measure of the validity of the employee satisfaction questionnaire was available from the company's headquarters in Europe at the time of the research being performed.

#### 4.6 Pilot Study

A pilot roll-out was conducted with the researcher's manager and his subordinates. The manager filled-in the self-rater version of the MLQ and seven subordinates filled-in the rater version of the MLQ and the company's employee satisfaction questionnaire. Some learning points gained out of the trial run were:

- Subordinates did not have to fill-in their organisational relationship to the manager in the MLQ, as all raters in this study are subordinates of the respective manager
- Emphasis had to be placed on the marking of the answer most appropriate in the MLQ, as some subordinates used crosses instead of circles, which would have rendered the questionnaire null and void if the dedicated MLQ

questionnaire reader was to be used

- The employee satisfaction questionnaire did not indicate how to mark the answer most appropriate for example a tick or a cross.

The above points were later corrected, and emphasised during the roll-out throughout the other departments and divisions within the company.

#### 4.7 Process of Data Collection

A list of all managers from the company was compiled from the company's intranet website. Thereafter appointment requests were sent out via e-mail to 80 managers together with a company letter confirming the reason and confidentiality of the research being performed. The researcher held individual meetings with the managers where the reasons and method of the study was emphasised. It was decided that it would be most appropriate to administer the questionnaires to the subordinates all at once, and this was performed during the weekly departmental staff meetings by the researcher. Here, guidance on filling-in the questionnaires was given and the questionnaires handed out. The raters had to fill-in the questionnaires and thereafter mail the envelope to the researcher using the company's internal mail system. This approach worked well and the performance of the pilot roll-out was worth the effort.

#### 4.8 Data Capturing

Data was captured onto three Microsoft Excel spreadsheets: Leader, Rater and Employee Satisfaction. The managers were numbered M-01 to M-80. The subordinates were numbered M01-01, M01-02, and so on, until M80-08, in this research. In this way the subordinates could be linked to the managers and anonymity also maintained.

#### 4.9 Data Analysis

The literature explaining each research instrument provides evidence in support of the reliability and validity of the instruments. Within the research design, figure 4.0, provision is made for the testing of the reliability of the data through factor analysis and Cronbach's reliability coefficient. Finally, within the research design, correlation and regression analysis is used to test the hypothesis of this research. These instruments are

discussed in the following sub-sections.

#### 4.9.1 Factor Analysis

It has been explained by Bless and Kathuria (1993) that a factor analysis checks whether the actual repetition of a particular phenomenon corresponds to the repetition which should be recorded, or is expected to be recorded. Bless and Kathuria (1993) also mention that a factor analysis determines the repetition of similar items and consequent factors so as to compare the observed factors with the factors identified by the theory.

A minimum of at least 5 respondents for each item is needed in order to test the construct validity of a particular research instrument by using factor analysis (De Vellis, 1991). For the MLQ and the employee satisfaction questionnaires, 231 and 201 questionnaires could be used for the purposes of the research respectively. Since the MLQ questionnaire contains 45 items and the employee satisfaction questionnaire contains 56 items, this would have required  $(45 \times 5)$  225 and  $(56 \times 5)$  280 respondents respectively. While the number of respondents for the factor analysis of the MLQ is met, the number of respondents for the employee satisfaction questionnaire is not met. The low response rate thus inhibited the testing of the construct validity of this research using factor analysis as was planned for within the research design.

#### 4.9.2 Cronbach's Alpha Coefficient

Cronbach's Alpha coefficient is typically equated with internal consistency (De Vellis, 1991). The Cronbach Alpha is interpreted as a coefficient Alpha and its value ranges from 0 to 1. Sekaran (1992) advises that when calculating Cronbach's reliability coefficient, reliabilities less than 0.6 are considered poor, reliabilities within 0.7 ranges are considered acceptable, and those coefficients over 0.8 are considered good. Sekaran (1992) also points out that the closer the coefficient is to 1.0, the greater the reliability of the instrument.

#### 4.9.3 Hypothesis Testing

As discussed earlier, section 4.2, the hypothesis in this research is concerned with establishing a relationship between the leadership styles and internal customer satisfaction (employee satisfaction) within an automotive manufacturer in Gauteng, South Africa. Correlation analysis was conducted using Statistica software (StatSoft, 1999) in order to establish if a relationship exists between leadership styles and employee satisfaction levels within the automotive manufacturer being researched. Bless and Kathuria (1993) advise that correlation analysis measures the degree of a relationship between two variables, and expresses the extent of this relationship with a correlation coefficient.

Correlation coefficients represent the nature of the relationship between more than one variable, whereby a coefficient of above 0.8 represents a strong relationship, a coefficient of between 0.5 and 0.8 represents a moderate relationship, and a coefficient below 0.5 represents a weak relationship (Devore and Peck, 1993). The results of the correlation analysis will be presented in the following chapter.

#### 4.10 Conclusion

This chapter presented the methodology of the research and the process of data collection and analysis. The hypothesis of the research was presented and the research design outlined. The process of data collection began with an invitation for a meeting with the managers, followed by meeting the respective manager, meeting with the subordinate compliment for the respective manager and the distribution of the questionnaires and lastly the return of the filled-in questionnaires to the researcher. The data was then entered onto a Microsoft Excel program.

This research uses two instruments, the MLQ and the company's employee satisfaction questionnaire. This chapter explained each of these instruments in detail and presented the reliability and validity of each instrument. The previous chapters focused on the theoretical underpinnings of the research in this study. This chapter discussed the



research process and the methods used to obtain the information required for this research and the results that will follow in the next chapter. The next chapter will focus on the results of the correlation analysis in order to test the hypothesis that a relationship exists between leadership style and employee satisfaction within the company being researched.

## Chapter 5: Results and Discussion

### 5.1 Introduction

The previous chapter discussed the research methodology followed within this research study. The goals of the research and the hypothesis were presented. A schematic description of the research design was represented in figure 4.0. The chapter also alluded to the ethical considerations; the research population and sample; the instruments used and their respective reliability and validity; the pilot study; the process of data collection, capturing and analysis; the factor analysis, the calculation of Cronbach's Alpha co-efficient, and finally the hypothesis testing.

This chapter will present and discuss the results of the testing of the research hypothesis and the assessment of the reliability of the research data. The low response rate for both questionnaires inhibited the testing of the construct validity of this research using factor analysis as was planned for within the research design, section 4.9.1. However, the results of the correlation and regression analysis to test for the relationship between the two research variables, i.e. the research hypothesis, and Cronbach's reliability co-efficient test for internal consistency will be discussed.

### 5.2 Results of the Correlation Analysis

The hypothesis of this research endeavours to establish whether or not a relationship exists between leadership styles being used, and the level of employee satisfaction within an automotive manufacturer in Gauteng, South Africa. The results of the correlation analysis are presented in table 5.0 below. The correlations were found to be significant at a 95% confidence level, indicating that there is a 95% probability that the population will fall within the correlation coefficients of this study (Hahn & Meeker, 1991).

Table 5.0 Correlation between the Leadership and the Employee Satisfaction Factors

Correlation between MLQ & Employee Satisfaction Questionnaire Data Correlations are Significant at $p < 0.05000$ N=199 (Casewise Deletion of Missing data)											
		Employee Satisfaction Factors									
Leadership Style	Leadership Factors	Working Conditions	Job	Personal Development	Pay	Colleagues	Immediate Manager	Higher Management	Communication & Information	Culture & Organisation	Image & Identification
Transformational	Idealised Attributes	-0.1690	-0.2144	-0.1821	-0.0708	-0.0612	-0.1903	-0.1334	-0.2337	-0.0790	-0.0621
	Idealised Behaviours	-0.1656	-0.1856	-0.1134	-0.0863	0.0031	-0.1639	-0.1292	-0.2198	-0.0395	-0.0600
	Inspirational Motivation	-0.1463	-0.1858	-0.1710	-0.0927	-0.0377	-0.2026	-0.1708	-0.2084	-0.0908	-0.0910
	Intellectual Stimulation	-0.1974	-0.2037	-0.1823	-0.1696	-0.0580	-0.2678	-0.1765	-0.2129	-0.1099	-0.0952
	Individual Consideration	-0.2069	-0.2161	-0.1410	-0.1546	-0.0387	-0.1769	-0.1147	-0.2198	-0.1047	-0.0271
Transactional	Contingent Reward	-0.2397	-0.2385	-0.1968	-0.1806	-0.0491	-0.2237	-0.1015	-0.2512	-0.1254	-0.0542
	Management by Exception (Active)	-0.0551	-0.0200	0.0390	-0.0076	0.1412	0.0108	0.0455	0.0178	0.1002	-0.0139
	Management by Exception (Passive)	-0.0859	-0.1131	-0.0131	-0.1380	-0.0057	-0.0251	-0.0819	-0.0637	-0.0463	0.0135
Non-Transactional	Laissez-Faire	0.0183	0.0325	0.0798	-0.0179	0.0478	0.0987	0.0470	0.0346	-0.0002	0.0238

Table 5.0 presents the correlation scores of the relationship between the leadership dimensions described in the Full Range Leadership Development Theory, and the dimensions of employee satisfaction as described in the company's employee satisfaction questionnaire. Devore and Peck (1993) provided a guideline for assessing resultant correlation coefficients as follows: coefficients less than 0.5 represent a weak relationship, coefficients greater than 0.5 but less than 0.8 represent a moderate relationship and coefficients greater than 0.8 represent a strong relationship, section 4.9.3.

It must be kept in mind that within this study the scales of the two instruments are negatively related, i.e. the Multifactor Leadership Questionnaire (MLQ) uses a 5-point Likert scale from 0 to 4 where 4 represents that a specific leadership behaviour was most frequently, if not always observed; while the employee satisfaction questionnaire uses a 7-point Likert scale from 1 to 7 where 7 represents highest level of employee dissatisfaction.

From table 5.0 the results of the correlation analysis of the relationship between leadership styles and employee satisfaction can be observed:

- All of the correlation coefficients fall within the range of 0.00 & 0.05 or 0.00 & - 0.05, indicating a weak relationship between the leadership dimensions and the employee satisfaction dimensions within this study, (Devore and Peck, 1993) section 4.9.3.
- 18% of the correlation coefficients are positive in value, indicating that 18% of the leadership styles practised within the company being researched resulted in employee dissatisfaction; and
- 82% of the correlation coefficients are negative in value, indicating that 82% of the leadership styles practised within the company being researched resulted in

employee satisfaction.

- The Laissez-Faire and Management by Exception (Active) factors of leadership styles practised within the company being researched mainly resulted in employee dissatisfaction

Therefore it may be concluded that a weak relationship exists between the dimensions of leadership and the dimensions of employee satisfaction for the participants included in the sample. This is owing to most of the correlation coefficients being below 0.5 thereby indicating a weak relationship.

Within the research design, figure 4.0, of this study it was originally intended to perform a regression analysis to test for the hypothesis. However, this could not be conducted due to the correlation analysis results being weak, viz. all of the correlation coefficients fall within the range of 0.00 & 0.05 or 0.00 & -0.05, indicating a weak relationship between the leadership dimensions and the employee satisfaction dimensions within this study, (Devore and Peck, 1993) section 4.9.3. Therefore the weak correlation results inhibited a regression analysis of the hypothesis.

### 5.3 Results of the Cronbach's Reliability Co-Efficient Test

#### 5.3.1 Cronbach Alpha scores for the Employee Satisfaction Questionnaire

Cronbach Alpha coefficients were calculated in order to assess the reliability of the company's employee satisfaction questionnaire for this research. As advised by Sekaran (1992), and discussed earlier in section 4.9.2, coefficients less than 0.6 are considered poor, coefficients greater than 0.6 but less than 0.8 are considered acceptable, and coefficients greater than 0.8 are considered good. From table 5.1 below, it can be observed that 4 factors were poor (Job, Personal Development, Pay and Higher

Management), 4 factors were acceptable (Colleagues, Communication and Information, Culture and Organisation and Image and Identification) and 2 factors were good (Working Conditions and Immediate Manager). It is therefore evident from the results obtained that the company's employee satisfaction questionnaire is not a reliable measure of the Job, Personal Development, Pay and Higher Management for this study.

### 5.3.2 Cronbach Alpha scores for the Multifactor Leadership Questionnaire

Cronbach's reliability coefficient test was also conducted to test for the reliability of the MLQ for this research. From table 5.1 below it can be observed that the reliability test yielded Alpha coefficients of 0.912727, 0.236476 and 0.655833 for transformational, transactional and non-transactional leadership respectively. According to Sekaran (1992) who provided advice on the degree of reliability from observed Cronbach reliability coefficients, in section 4.9.2 earlier, it may be concluded that the reliability for transformational leadership factor is good, the reliability for transactional leadership is poor and the reliability of non-transactional leadership is acceptable. Therefore for this study, the multifactor leadership questionnaire is not a reliable measure of transactional leadership. Refer to table 5.1 below.

Table 5.1 Cronbach Reliability Coefficients

Employee Satisfaction		Leadership			
Raw Factors	Cronbach Alpha	Leadership Factor	Raw Factors	Cronbach Alpha	
Working Conditions (WC)	0.902323	Transformational	Idealised Attributes (IA)	0.759748	0.912727
Job	0.599462		Idealised Behaviours (IB)	0.633811	
Personal Development (PD)	0.529106		Inspirational Motivation (IM)	0.670777	
Pay	0.396918		Intellectual Stimulation (IS)	0.546099	
Colleagues	0.687999		Individual Consideration (IC)	0.646177	
Immediate Manager (IM)	0.832941		Contingent Reward (CR)	0.555397	
Higher Management (HM)	0.508887	Transactional	Management by Exception (Active) (MEA)	0.289584	0.236476
Communication and Information (CI)	0.734419		Management by Exception (Passive) (MEP)	0.296696	
Culture and Organisation (CO)	0.686131	Non-Transactional	Laissez-Faire (LF)	0.655833	0.655833
Image and Identification (ID)	0.628716				
		< 6 = Poor	6 - 8 = Acceptable	> 8 = Good	

### 5.3.3 Implications for the Company

The factors with poor Cronbach reliability coefficient scores (< 6), section 5.3.1 and 5.3.2, from the two questionnaires, viz. Job, Personal Development, Pay, Higher Management and Transactional Leadership were filtered out from table 5.0, and the remaining factors are displayed in table 5.2 below. Cronbach's coefficient is typically equated with internal consistency (De Vellis, 1991), section 4.9.2. Cronbach reliability coefficients less than 0.6 are considered poor, reliabilities within the 0.7 ranges are

considered acceptable, and those coefficients over 0.8 are considered good (Sekaran, 1992), section 4.9.2. Only the factors with acceptable and good Cronbach reliabilities are included in Table 5.2 in order to provide focus in the discussion of the results of the correlation analysis.

Table 5.2 Correlation between the Leadership and the Employee Satisfaction Factors  
Poor Cronbach coefficient scores (< 6) Removed

Correlation between MLQ & Employee Satisfaction Questionnaire Data Correlations are Significant at $p < 0.05000$ N=199 (Casewise Deletion of Missing data)							
		Employee Satisfaction Factors					
Leadership Style	Leadership Factors	Working Conditions	Colleagues	Immediate Manager	Communication & Information	Culture & Organisation	Image & Identification
Transformational	Idealised Attributes	-0.1690	-0.0612	-0.1903	-0.2337	-0.0790	-0.0621
	Idealised Behaviours	-0.1656	0.0031	-0.1639	-0.2198	-0.0395	-0.0600
	Inspirational Motivation	-0.1463	-0.0377	-0.2026	-0.2084	-0.0908	-0.0910
	Intellectual Stimulation	-0.1974	-0.0580	-0.2678	-0.2129	-0.1099	-0.0952
	Individual Consideration	-0.2069	-0.0387	-0.1769	-0.2198	-0.1047	-0.0271
Non-Transactional	Laissez-Faire	0.0183	0.0478	0.0987	0.0346	-0.0002	0.0238

From table 5.2 it can be observed that the correlation coefficients are positive for the



following leadership and employee satisfaction factors respectively:

- Idealised Behaviours - Colleagues
- Laissez-Faire - Working Conditions, Colleagues, Immediate Manager, Communication & Information and Image & Identification.

The positive correlation coefficients indicate that when a particular leadership style is practised it results in employee dissatisfaction, as the scales of the two instruments are negatively related within this study, section 5.2. For the company under research it may be concluded that the encouraged behaviours for idealised behaviours are not effective in achieving employee satisfaction, table 5.3 below. The laissez-faire leadership style also produces employee dissatisfaction, apart for the employee satisfaction factor of culture and organisation where employee satisfaction is achieved. Table 5.3 provides a description the leadership behaviour encouraged by the company under research to ensure employee satisfaction, sections 2.6, 3.4.1 and 3.4.2. It is recommended that the company investigate the reasons for the practised leadership style of idealised behaviours not resulting in employee satisfaction. The leadership styles encouraged by the company, section 2.6, may need to be modified or replaced.

Table 5.3 Leadership styles and the leadership behaviours encouraged by the company

Section 3.4.1 & 3.4.2	Section 2.6					
	Working Conditions	Colleagues	Immediate Manager	Communication & Information	Culture & Organisation	Image & Identification
Idealised Attributes: leading by means of charisma; behaviour that encourages the follower to trust the leader by ensuring that...	The appropriate physical facilities and resources are provided	Co-operation between and within departments and divisions is encouraged	Objectives are agreed and unambiguous  Employees are coached as appropriate	Differences of opinion are respected	Employees are allowed to be critical without suffering any disadvantages from management  Inter-departmental and inter-divisional co-operation and sharing of information is encouraged	Providing a high level of job security
Idealised Behaviours: leading by acting as a role model and encourages followers to share a common vision by ensuring that...						
Inspirational Motivation: Raises followers expectations & appeals to their emotion by ensuring that ...						
Intellectual Stimulation: Appeals to followers' sense of inquiry & encourages creativity by ensuring that...						
Individual Consideration: Focuses on the individual through coaching and ensures that...						
Laissez-Faire: Doing nothing, letting things take care of themselves and does not ensure that...						
		Conflict situations are discussed openly and resolved collectively	Employees are praised when targets have been exceeded	Information flows as soon as possible from management	Creativity is encouraged and employees are not punished for mistakes	
		New colleagues are inducted and accepted into the organisation	Mistakes are viewed as opportunities for improvement	Management explains the reasoning behind important decisions	Many tasks are co-ordinated to achieve the end result as soon as possible	
		All employees strive for outstanding performance	A relationship of trust is developed with the employees	Communication is open and based on mutual trust	Involvement with the local community	
			Encouraging new ideas			

#### 5.4 Discussion of Results

Correlation analysis was used to test for a relationship between the two research variables. From the results in table 5.0, it is apparent that a weakly correlated relationship exists between leadership and employee satisfaction within the company being researched. The correlations were found to be significant at a 95% confidence level, indicating that there is a 95% probability that the population will fall within the correlation coefficients of this study (Hahn & Meeker, 1991). Therefore the null hypothesis has to be rejected because a statistically significant relationship exists between leadership style and employee satisfaction levels within an automotive manufacturing organisation, albeit a weak relationship.

This study endeavoured to determine if there is a relationship between leadership and employee satisfaction with the Service Profit Chain by Heskett et al (1994) as a basis of argument. Heskett et al (1994) contend that it is leadership which underlies an organisation that is profitable. Heskett et al (1994) contend that it is a chain reaction of good leadership that produces internal service quality, employee satisfaction, employee retention and productivity, external service value, customer satisfaction and customer loyalty which finally results in an organisation enjoying revenue growth and being profitable. This research found a weak relationship between the factors of transformational leadership and certain factors of employee satisfaction; and that laissez-faire leadership style resulted in employee dissatisfaction within the company being researched. The poor results of the Cronbach reliability test of the MLQ for the transactional leadership factors inhibited further exploration into its relationship with the employee satisfaction factors.

#### 5.5 Research Limitations

Within the design of this research, section 4.3, it was intended to assess the reliability of the data using the factor analysis and Cronbach's reliability co-efficient. The factor analysis could not be carried out due to reasons pointed out in section 4.9.1, viz. a low response rate for the Multifactor Leadership and employee satisfaction questionnaires. This resulted in the construct validity of this study being untested; viz. the observed repetition could not be checked against the expected repetition in order to establish whether or not the facts support the theoretical considerations.

The results of Cronbach's reliability test, section 5.3, revealed that the employee satisfaction questionnaire is not a reliable measure of the employee satisfaction factors of the Job, Personal Development and Higher Management; and also the Multifactor Leadership Questionnaire is not a reliable measure of transactional leadership. Therefore within the construct of this research, it may be concluded that the reliability of the data could not be proved for those factors.

## 5.6 Recommendations for Further Research

In order to have a successful factor analysis test, it is recommended that a sample size of approximately between 200 to 400 subjects is necessary (De Vellis, 1991). Ackermann et al (2000) used Cronbach's Alpha coefficient to test the reliability of the MLQ, section 4.5.2, and managed to obtain scores that were acceptable for transactional leadership and good for transformational and non-transactional leadership. The company's employee satisfaction questionnaire was also tested prior to its introduction by its world wide subsidiaries and produced Cronbach Alpha coefficients that were good, section 4.5.4. Therefore it is recommended that the samples size for this type of research be within the recommended range of 200 to 400 subjects (De Vellis, 1991). To perform similar studies within the automotive industry it may be necessary to perform research across the entire

automotive assembly industry, as opposed to performing research on one automotive manufacturer. Botha (2001) conducted similar research within an automotive manufacturer, and experienced low response rates that inhibited the assessment of the reliability of the data.

Section 5.3.2 of this study and research by Botha (2001) reveal that the Multifactor Leadership Questionnaire is not a reliable measure of transactional leadership; with scores of 0.2364 and 0.3721 respectively. Ristow (1998) conducted similar research and used the Multifactor Leadership Questionnaire and found that no significant relationship can be found between the level of transactional leadership at a cricket union in South Africa and the level of organisational effectiveness. Therefore it is advised that future research within similar conditions assess the reliability of the Multifactor Leadership Questionnaire as a measure for transactional leadership.

It is also recommended that the company, within which this research is based, re-assess the four employee satisfaction factors (Job, Personal Development, Pay and Higher Management) which produced poor Cronbach coefficients within this research. This is important since these four factors produced good reliability scores when the company's employee satisfaction questionnaire was tested prior to its world-wide roll-out.

This research and research by Botha (2001) used the Service Profit Chain by Heskett et al (1994) to argue the importance of leadership within an organisational setting. The Service Profit Chain by its nature is intended to apply to service organisations. The intention to use this service model within the constructs of companies that produces and sells finished goods as opposed to services needs to be re-assessed. There may be an inherent difference within the dynamics of service and product producing organisations which

needs to be investigated before the Service Profit Chain is used as a basis to argue the importance of leadership in non-service producing organisations. As this research found a statistically significant relationship between transformational leadership and some factors of employee satisfaction, albeit a weak relationship, it is recommended that further research be performed to identify other factors, other than leadership, which may be impacting on employee satisfaction.

## 5.7 Conclusion

The results of the statistical analysis used to test for the reliability of the data and the research hypothesis was presented in this chapter. The results of Cronbach's reliability test proved to be poor for the transactional factors of leadership within the MLQ, and for the employee satisfaction factors of Job, Personal Development, Pay and Higher Management within the employee satisfaction questionnaire. The hypothesis of the research was also tested using correlation analysis and the null hypothesis was rejected. A statistically significant relationship exists between leadership style and employee satisfaction levels within an automotive manufacturing organisation.

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## Appendix A MLQ (self rater version)

### Multifactor Leadership Questionnaire

## Leader Booklet (MLQM)

by Bernard M. Bass and Bruce J. Avolio

**DIRECTIONS:** This questionnaire is designed to help you describe your leadership style as you perceive it. Please answer all items on the separate Leader Answer sheet. Be sure the answer sheet has your name on it. Judge how frequently each statement fits you. The word "others" may mean your peers, clients, direct reports, supervisors, and/or all of these individuals. If an item is irrelevant, or if you are unsure or do not know the answer, leave the answer blank.

Use the following rating scale:

0	1	2	3	4
Not at all	Once in a while	Sometimes	Fairly often	Frequently if not always

1. I provide others with assistance in exchange for their efforts
2. I re-examine critical assumptions to question whether they are appropriate
3. I fail to interfere until problems become serious
4. I focus attention on irregularities, mistakes, exceptions, and deviations from standards
5. I avoid getting involved when important issues arise
6. I talk about my most important values and beliefs
7. I am absent when needed
8. I seek differing perspectives when solving problems
9. I talk optimistically about the future
10. I instill pride in others for being associated with me
11. I discuss in specific terms who is responsible for achieving performance targets
12. I wait for things to go wrong before taking action
13. I talk enthusiastically about what needs to be accomplished
14. I specify the importance of having a strong sense of purpose
15. I spend time teaching and coaching

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Contin-

0	1	2	3	4
Not at all	Once in a while	Sometimes	Fairly often	Frequently if not always

16. I make clear what one can expect to receive when performance goals are achieved
17. I show that I am a firm believer in 'If it ain't broke, don't fix it.'
18. I go beyond self-interest for the good of the group
19. I treat others as individuals rather than just as a member of a group
20. I demonstrate that problems must become chronic before I take action
21. I act in ways that build others' respect for me
22. I concentrate my full attention on dealing with mistakes, complaints, and failures
23. I consider the moral and ethical consequences of decisions
24. I keep track of all mistakes
25. I display a sense of power and confidence
26. I articulate a compelling vision of the future
27. I direct my attention toward failures to meet standards
28. I avoid making decisions
29. I consider an individual as having different needs, abilities, and aspirations from others
30. I get others to look at problems from many different angles
31. I help others to develop their strengths
32. I suggest new ways of looking at how to complete assignments
33. I delay responding to urgent questions
34. I emphasize the importance of having a collective sense of mission
35. I express satisfaction when others meet expectations
36. I express confidence that goals will be achieved
37. I am effective in meeting others' job-related needs
38. I use methods of leadership that are satisfying
39. I get others to do more than they expected to do
40. I am effective in representing others to higher authority
41. I work with others in a satisfactory way
42. I heighten others' desire to succeed
43. I am effective in meeting organizational requirements
44. I increase others' willingness to try harder
45. I lead a group that is effective

**When you are finished please place your Answer Sheet in an envelope large enough - DO NOT FOLD - and send to the address below.**

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**MULTIFACTOR LEADERSHIP QUESTIONNAIRE****Leader Answer Sheet (MLQM)**

by Bernard M. Bass and Bruce J. Avolio

Leader Name

Leader# #Raters

Leader Name:

Organization:

Business Unit:

Region:

Level of Leadership:

**LEADER**

• Please mark the number of rater forms you have distributed. If you are distributing less than ten forms mark zero in the first box; e.g., for six forms mark 06 and fill in the corresponding circles.

1	<input type="radio"/>	<input type="radio"/>
2	<input type="radio"/>	<input type="radio"/>
3	<input type="radio"/>	<input type="radio"/>
4	<input type="radio"/>	<input type="radio"/>
5	<input type="radio"/>	<input type="radio"/>
6	<input type="radio"/>	<input type="radio"/>
7	<input type="radio"/>	<input type="radio"/>
8	<input type="radio"/>	<input type="radio"/>
9	<input type="radio"/>	<input type="radio"/>
0	<input type="radio"/>	<input type="radio"/>

**IMPORTANT:** This answer sheet must be completed & placed in envelope for Scoring by:

**DIRECTIONS:** First mark the number of rater forms you have distributed in the box provided. Then use this answer sheet to respond to the questions in the MLQ Leader Booklet. Be sure the Leader Booklet has your name on it. This survey is designed to describe your leadership style as you perceive it. Please answer all the items in the question booklet. If an item is irrelevant, or if you are unsure or do not know the answer, leave the answer blank. Forty-five descriptive statements are listed in the MLQ Leader Booklet. Judge how frequently each statement fits you. Use the rating scale shown below:

Proper Mark: ☐ ☐ ☒ ☐Improper Marks: ☒ ☒ ☒ ☒

0 Not at all	1 Once in a while	2 Sometimes	3 Fairly often	4 Frequently if not always
0 1 2 3 4	0 1 2 3 4	0 1 2 3 4	0 1 2 3 4	0 1 2 3 4
1. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	16. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	31. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>		
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6. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	21. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	36. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>		
7. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	22. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	37. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>		
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13. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	28. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	43. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>		
14. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	29. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	44. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>		
15. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	30. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	45. <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>		

Please retain a copy of this form and the question booklet. Be sure to include your phone number in case there are any queries. If you have any questions, please contact: The Scoring Department, Productivity Development (Pty) Ltd., P.O. Box 756, Randburg 2125, Tel: 787-3349, Fax: 789-4628

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## Appendix B MLQ (rater version)

### Multifactor Leadership Questionnaire Rater Booklet (MLQM)

by Bernard M. Bass and Bruce J. Avolio

Rater No.

**DIRECTIONS:** This questionnaire is to describe the leadership style of the person named on the answer sheet. Describe the leadership style as you perceive it. Please answer all items on this answer sheet. If an item is irrelevant, or if you are unsure or do not know the answer, leave the answer blank. Please answer this questionnaire anonymously.

Forty-five descriptive statements are listed on the following pages. Judge how frequently each statement fits the person you are describing.

Use the following rating scale:

0	1	2	3	4
Not at all	Once in a while	Sometimes	Fairly often	Frequently if not always

#### THE PERSON I AM RATING...

1. Provides me with assistance in exchange for my efforts
2. Re-examines critical assumptions to question whether they are appropriate
3. Fails to interfere until problems become serious
4. Focuses attention on irregularities, mistakes, exceptions, and deviations from standards
5. Avoids getting involved when important issues arise
6. Talks about their most important values and beliefs
7. Is absent when needed
8. Seeks differing perspectives when solving problems
9. Talks optimistically about the future
10. Instills pride in me for being associated with him/her
11. Discusses in specific terms who is responsible for achieving performance targets
12. Waits for things to go wrong before taking action
13. Talks enthusiastically about what needs to be accomplished
14. Specifies the importance of having a strong sense of purpose
15. Spends time teaching and coaching

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Continued ==>

0	1	2	3	4
Not at all	Once in a while	Sometimes	Fairly often	Frequently if not always

**THE PERSON I AM RATING...**

16. Makes clear what one can expect to receive when performance goals are achieved
17. Shows that he/she is a firm believer in "if it ain't broke, don't fix it."
18. Goes beyond self-interest for the good of the group
19. Treats me as an individual rather than just as a member of a group
20. Demonstrates that problems must become chronic before taking action
21. Acts in ways that builds my respect
22. Concentrates his/her full attention on dealing with mistakes, complaints, and failures
23. Considers the moral and ethical consequences of decisions
24. Keeps track of all mistakes
25. Displays a sense of power and confidence
26. Articulates a compelling vision of the future
27. Directs my attention toward failures to meet standards
28. Avoids making decisions
29. Considers me as having different needs, abilities, and aspirations from others
30. Gets me to look at problems from many different angles
31. Helps me to develop my strengths
32. Suggests new ways of looking at how to complete assignments
33. Delays responding to urgent questions
34. Emphasizes the importance of having a collective sense of mission
35. Expresses satisfaction when I meet expectations
36. Expresses confidence that goals will be achieved
37. Is effective in meeting my job-related needs
38. Uses methods of leadership that are satisfying
39. Gets me to do more than I expected to do
40. Is effective in representing me to higher authority
41. Works with me in a satisfactory way
42. Heightens my desire to succeed
43. Is effective in meeting organizational requirements
44. Increases my willingness to try harder
45. Leads a group that is effective

**When you are finished please place your Answer Sheet in an envelope large enough - DO NOT FOLD - and send to the address below.**

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# MULTIFACTOR LEADERSHIP QUESTIONNAIRE

## Answer Sheet (MLQM)

by Bernard M. Bass and Bruce J. Avolio

Leader Name (Person You Are Rating)

Leader# Rater#

Leader Name:

Business Unit:

Region:

# RATER

**IMPORTANT** (necessary for processing):  
Which best describes you?

- ☐ I am at a higher organizational level than the person I am rating
- ☐ The person I am rating is at my organizational level
- ☐ I am at a lower organizational level than the person I am rating
- ☐ I do not wish my organizational level to be known

**IMPORTANT:** This answer sheet must be completed & placed in envelope for Scoring by:

**DIRECTIONS:** First mark your organizational level in the box provided. Then use this answer sheet to respond to the questions in the MLQ Rater Booklet. Please answer every item. If an item is irrelevant, or if you are unsure or do not know the answer, leave the answer blank. Please answer this questionnaire anonymously. This survey is designed to describe the leadership style of the above-mentioned individual as you perceive it. Forty-five descriptive statements are listed in the MLQ Rater Booklet. Judge how frequently each statement fits the person you are describing. Use the rating scale shown below:

Proper Mark: ○ ○ ● ○

Improper Marks: ✓ ✗ ⊗ ⊙

0	1	2	3	4
Not at all	Once in a while	Sometimes	Fairly often	Frequently if not always

	0	1	2	3	4
1.	○	○	○	○	○
2.	○	○	○	○	○
3.	○	○	○	○	○
4.	○	○	○	○	○
5.	○	○	○	○	○
6.	○	○	○	○	○
7.	○	○	○	○	○
8.	○	○	○	○	○
9.	○	○	○	○	○
10.	○	○	○	○	○
11.	○	○	○	○	○
12.	○	○	○	○	○
13.	○	○	○	○	○
14.	○	○	○	○	○
15.	○	○	○	○	○

	0	1	2	3	4
16.	○	○	○	○	○
17.	○	○	○	○	○
18.	○	○	○	○	○
19.	○	○	○	○	○
20.	○	○	○	○	○
21.	○	○	○	○	○
22.	○	○	○	○	○
23.	○	○	○	○	○
24.	○	○	○	○	○
25.	○	○	○	○	○
26.	○	○	○	○	○
27.	○	○	○	○	○
28.	○	○	○	○	○
29.	○	○	○	○	○
30.	○	○	○	○	○

	0	1	2	3	4
31.	○	○	○	○	○
32.	○	○	○	○	○
33.	○	○	○	○	○
34.	○	○	○	○	○
35.	○	○	○	○	○
36.	○	○	○	○	○
37.	○	○	○	○	○
38.	○	○	○	○	○
39.	○	○	○	○	○
40.	○	○	○	○	○
41.	○	○	○	○	○
42.	○	○	○	○	○
43.	○	○	○	○	○
44.	○	○	○	○	○
45.	○	○	○	○	○

Please retain a copy of this form and the question booklet. Be sure to include your phone number in case there are any queries. If you have any questions, please contact: The Scoring Department, Productivity Development (Pty) Ltd., P.O. Box 756, Randburg 2125, Tel: 787-3349, Fax: 789-4628

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## Appendix C      The Company's Employee Satisfaction Survey

No.	Item	Completely agree	Mostly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Mostly disagree	Completely disagree
1	The conditions at my workplace (noise, ventilation, physical stress, lighting, space, cleanliness, etc.) are acceptable to me.	1	2	3	4	5	6	7
2	At my workplace I have everything I need to do my job in the best possible manner.	1	2	3	4	5	6	7
3	All in all, I am very satisfied with my working conditions.	1	2	3	4	5	6	7
4	My tasks and responsibilities are so well defined, that I know exactly what is expected of me.	1	2	3	4	5	6	7
5	At BMW I am made to feel that my work is important.	1	2	3	4	5	6	7
6	My tasks on the job correspond to my skills and strengths.	1	2	3	4	5	6	7
7	I can participate in decisions concerning my work situation.	1	2	3	4	5	6	7
8	My job allows me to keep a good balance between private and professional life.	1	2	3	4	5	6	7
9	All in all, I am very satisfied with the arrangements relating to the work I have to do.	1	2	3	4	5	6	7
10	My professional development is determined by my abilities and performance.	1	2	3	4	5	6	7
11	I am prepared to work for the BMW Group at another location.	1	2	3	4	5	6	7

12	My manager discusses my professional development with me and supports me in continued education.	1	2	3	4	5	6	7
13	My manager encourages independence on my part.	1	2	3	4	5	6	7
14	I have the opportunity to learn in order to be well equipped for my future.	1	2	3	4	5	6	7
15	All in all, I am very satisfied with my professional prospects within the company.	1	2	3	4	5	6	7
16	I am satisfied with my level of pay compared with colleagues who perform similar jobs.	1	2	3	4	5	6	7
17	My suggestions and ideas are recognised and satisfactorily rewarded.	1	2	3	4	5	6	7
18	All in all, I am very satisfied with my pay as well as the fringe benefits.	1	2	3	4	5	6	7
19	Co-operation between my group/team and other groups/teams is very good.	1	2	3	4	5	6	7
20	We discuss conflicts openly and resolve them collectively.	1	2	3	4	5	6	7
21	New colleagues are inducted and accepted into our group/team well.	1	2	3	4	5	6	7
22	Everyone at my work place is doing their utmost to achieve outstanding performance.	1	2	3	4	5	6	7
23	In our group/team it is taken for granted that we help each other.	1	2	3	4	5	6	7

24	In our group team/ there is a good working atmosphere without any jealousy or animosity.	1	2	3	4	5	6	7
25	I enjoy working together with the colleagues at my work place.	1	2	3	4	5	6	7
26	All in all I am very satisfied with the co-operation amongst my colleagues.	1	2	3	4	5	6	7
27	My manager works out and agrees clear targets with me.	1	2	3	4	5	6	7
28	If necessary, my manager helps me to achieve the agreed targets.	1	2	3	4	5	6	7
29	My manager recognises and praises good achievements.	1	2	3	4	5	6	7
30	My manager views mistakes as opportunities to improve.	1	2	3	4	5	6	7
31	My manager and I have a working relationship based on trust.	1	2	3	4	5	6	7
32	My manager encourages us to put forward new ideas and make improvements	1	2	3	4	5	6	7
33	My manager uses the appropriate tone when dealing with me.	1	2	3	4	5	6	7
34	All in all I am very satisfied with my manager.	1	2	3	4	5	6	7
35	I have trust in the plant/division/company management.	1	2	3	4	5	6	7

36	I am confident that at BMW the right decisions for the future are being made.	1	2	3	4	5	6	7
37	All in all, I am very satisfied with the management of my plant/division/company.	1	2	3	4	5	6	7
38	At my workplace differences of opinion are respected.	1	2	3	4	5	6	7
39	I consider that I am kept well informed by my manager.	1	2	3	4	5	6	7
40	My manager explains his/her actions and the reasoning behind important decisions.	1	2	3	4	5	6	7
41	Communication at my workplace is open and based on mutual trust.	1	2	3	4	5	6	7
42	All in all, I am very satisfied with the level of information.	1	2	3	4	5	6	7
43	All in all, I am very satisfied with the communication.	1	2	3	4	5	6	7
44	I can be openly critical without suffering disadvantages as a result.	1	2	3	4	5	6	7
45	At my workplace, agreements are kept to.	1	2	3	4	5	6	7
46	At my workplace necessary decisions are made swiftly.	1	2	3	4	5	6	7
47	At my workplace, co-operation is unhindered by departmental or divisional focused thinking.	1	2	3	4	5	6	7
48	At my workplace one can make decisions without first having to cover oneself from every angle.	1	2	3	4	5	6	7



49	At my workplace consideration is given to older and weaker employees.	1	2	3	4	5	6	7
50	Directly passing on knowledge and experience to colleagues is a natural practice at my workplace.	1	2	3	4	5	6	7
51	I feel acknowledged and appreciated as a person at my workplace.	1	2	3	4	5	6	7
52	All in all, I am very satisfied with the culture of our company.	1	2	3	4	5	6	7
53	I think it's great to work for BMW.	1	2	3	4	5	6	7
54	In my opinion, BMW is a progressive company.	1	2	3	4	5	6	7
55	In my view BMW provides me with a high level of job security.	1	2	3	4	5	6	7
56	All in all, I am very satisfied with the way our plant/division/company presents itself to the public.	1	2	3	4	5	6	7

## Appendix D The Ten Principles of the Company's Leadership Model

### 1. Leadership is a matter of personal performance, taking risks, and not the mere application of guidelines, regulations and systems

What does it mean?

- Systems, personnel systems in particular, are management tools; however, the use of these tools is not leadership
- Leading others means personal involvement, 'leading from the front'
- Leadership involves personal style, taking calculated risks and being accountable
- Conscious management is the deliberate, personal exertion of influence, a guiding process that avoids hiding behind policies and borrowed authority



### 2. Leaders inspire and motivate by creating and communicating "realistic" visions

What does it mean?

- Realistic visions are ambitious, highly set aims which are achieved with courage, imagination and dedication within a suitable working framework
- Leaders must have the strength to depart from safe paths and if necessary to swim against the current. They must be flexible, open-minded thinkers
- Leaders do not ask why, but why not and encourage their associates to think in this way
- Leaders create clarity for their associates and face responsibility
- Creating clarity means being able to explain the overall picture as well as being able to work out concrete and practical solutions



3. Leaders act as role models and earn respect through integrity and credibility. Leaders set high standards and apply such standards to themselves

What does it mean?



- Being an example means putting what management demands from others into practice for yourself
- Integrity means that the leader is a person, who has credibility in various situations (an original, not a copy)
- Credibility and fairness builds trust. Trust is the basis for successful leadership performance
- Leaders demand high standards from their associates and themselves, relating to both achievement-standards and matters of cooperation

4. Leaders ensure the focus of attention is on achieving business goals and not on themselves

What does it mean?



- Making a mark for oneself is accepted as a natural desire for recognition and success. However this is not an end in itself. Achieving goals/getting results has priority
- To lead means to serve. This includes assisting associates to reach the agreed aims by clearing obstacles from their path
- Not putting oneself in the foreground means helping associates to help themselves. This includes assisting them in creating a solid foundation from which they can work more independently

5. **Leaders establish agreed objectives and define the scope of their team members autonomy and responsibility. They encourage and support their initiative, creativity and willingness to change. Leaders revise objectives if conditions change**

What does it mean?

- Leaders set challenging objectives
- Leaders pursue the objectives, extracting positive and negative consequences
- Leaders create a framework which promotes autonomous action
- Leaders create awareness for themselves and subordinates that continuous change is necessary
- Leaders understand when change is necessary and initiate and accompany change processes
- Leaders react and act to change in society, as well as in technical and corporate environments



6. **Leaders communicate effectively and build sound relationships**

What does it mean?

- Communication skills require social competence, the ability to build and cultivate relationships; this entails:
  - being a good listener
  - allowing others to ask questions
  - being able to ask others for input
- The individual and not the title is in the foreground
- Leaders face conflict and discuss difficult subjects freely and in an appropriate manner. Communication can solve conflicts. This translates into growth and development for managers and associates
- Leaders explain corporate objectives and clarify the associates role and contribution; they eliminate apparent contradictions between the external and internal corporate image



7. Leaders create a working environment which stimulates enthusiasm and enjoyment, as well as focusing on costs and business results

What does it mean?

- Leaders create enthusiasm for performance through providing appropriate working conditions, recognition and by giving their associates a sense of purpose
- The successful attainment of objectives brings pleasure and enjoyment into the workplace
- Being able to laugh at work is important



8. Leaders build confidence through trust. If necessary they intervene decisively. They provide support and take on rather than evade responsibility for achieving the desired results

What does it mean?

- Leaders achieve clarity through open communication
- Leaders support their associates
- Leaders are able to empathise with others
- Leaders change a culture of distrust to one of trust
- Leaders must bear all consequences for themselves and their associates if mutual trust is lost
- Leaders must stand by their actions and decisions



**9. Leaders build efficient teams and actively develop all individuals. They encourage everyone to reach their full potential. True leaders do not hold people back**

What does it mean?

- Passing on responsibilities to the team, letting-go and team empowerment are all part of leadership
- It is essential to make demands on both the team and its individual members
- Conflict within the team should be allowed, and turned into positive energy
- Taking the concerns of the individual team members seriously and helping them to overcome them is part of leadership
- A leader is a team-leader, but should also play the role of a team member
- Leaders must think and act with the entire chain of events in mind and put their own ability to work in a team to the test



**10. Leaders are able to operate effectively in different cultures and lead multi-cultural teams**

What does it mean?

- Leaders have a receptive and open-minded attitude towards other cultures and respect cultural differences
- Leaders have the driving force to promote international awareness

The development and promotion of internationally operating associates is simultaneously a responsibility and a commitment



## Summary of the Company's Leadership Model

1  
Personal performance and contribution, not just applying policies, procedures and systems.



2  
Inspiring and motivating by creating realistic visions.



3  
Acting as role models and earning respect through integrity and credibility. Leaders set high standards and apply such standards to themselves.



4  
Ensuring that the focus of attention is on achieving business goals and not on yourself.



5  
Establishing agreed objectives and defining the scope of team members autonomy and responsibility. Leaders encourage and support initiative, creativity and willingness to change. Leaders revise objectives if conditions change.



6  
Communicating effectively and building sound relationships.



7  
Creating a working environment which stimulates enthusiasm and enjoyment as well as focusing on costs and business results.



8  
Building confidence through trust. If it is necessary leaders intervene decisively. They provide support and take-on, rather than evade responsibility for achieving desired results.



9  
Building efficient teams and actively developing individuals. Leaders encourage everyone to reach their full potential. True leaders do not hold people back.



10  
Being able to operate effectively in different cultures and lead multicultural teams.



## Reliability of the new scales

### Reliability - Working Conditions

#### RELIABILITY ANALYSIS - SCALE (ALPHA)

- |    |      |   |
|----|------|---|
| 1. | ARB1 | The conditions on my job (noise level, ventilation, lighting, spatial conditions. Cleanliness, etc..) are for me correct. |
| 2. | ARB2 | I find everything on my job, in order to be able to implement my work optimally.  |
| 3. | TÄT5 | With work time regulations valid for me I am content.   |
| 4. | TÄT7 | My work permits me to agree upon occupation and private lives well with one another.                                      |
| 5. | ARB4 | All in all I am very content with my conditions of work.  |

#### Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Alpha if Item Deleted
ARB1	10,4832	22,1832	,5769	,7850
ARB2	10,9190	22,9965	,6647	,7604
TÄT5	10,9358	22,3135	,5393	,7982
TÄT7	10,4934	23,1877	,5158	,8033
ARB4	10,8879	22,4372	,7631	,7360

#### Reliability Coefficients

N of Cases = 5977,0

N of Items = 5

Alpha = ,8129



# Reliability of the new scales

## Reliability – Working Conditions and Job Security

### RELIABILITY ANALYSIS - SCALE (ALPHA)

- |    |      |   |
|----|------|---|
| 1. | ARB1 | The conditions on my job (noise level, ventilation, lighting, spatial conditions. Cleanliness, etc..) are for me correct. |
| 2. | ARB2 | I find everything on my job, in order to be able to implement my work optimally.  |
| 3. | TÄT5 | With work time regulations valid for me I am content.   |
| 4. | TÄT7 | My work permits me to agree upon occupation and private lives well with one another.                                      |
| 5. | ARB4 | All in all I am very content with my conditions of work.  |
| 6. | IM6  | After my impression the BMW Group offer a high job security to me.  |

### Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Alpha if Item Deleted
ARB1	12,4876	29,2030	,5457	,7929
ARB2	12,9248	29,5620	,6662	,7666
TÄT5	12,9436	28,3856	,5734	,7870
TÄT7	12,4971	29,6985	,5273	,7968
ARB4	12,8930	29,0626	,7511	,7510
IM6	13,4024	33,4762	,4396	,8113

### Reliability Coefficients

N of Cases = 5904,0

N of Items = 6

Alpha = ,8141

## Reliability of the new scales

### Reliability – Working Conditions and Pay

#### RELIABILITY ANALYSIS - SCALE (ALPHA)

1.	ARB1	The conditions on my job (noise level, ventilation, lighting, spatial conditions. Cleanliness, etc..) are for me correct.
2.	ARB2	I find everything on my job, in order to be able to implement my work optimally.
3.	TÄT5	With work time regulations valid for me I am content.
4.	TÄT7	My work permits me to agree upon occupation and private lives well with one another.
5.	ARB4	All in all I am very content with my conditions of work.
6.	IM6	After my impression the BMW Group offer a high job security to me.
7.	BEZ2	Compared with other companies I am very well remunerated with the BMW Group.
8.	BEZ7	All in all I am very content with my payment as well as the social and fringe benefits.

#### Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Alpha if Item Deleted
ARB1	18,6672	58,3282	,4885	,8487
ARB2	19,1003	57,7040	,6448	,8301
TÄT5	19,1173	55,1472	,6059	,8342
TÄT7	18,6731	57,5115	,5373	,8424
ARB4	19,0710	57,2510	,7081	,8240
IM6	19,5789	60,9731	,5350	,8422
BEZ2	18,4579	55,9636	,5971	,8350
BEZ7	18,5900	54,7450	,6732	,8253

#### Reliability Coefficients

N of Cases = 5790,0

N of Items = 8

Alpha = ,8529

## Reliability of the new scales

### Reliability – The Job and Vocational Development

#### RELIABILITY ANALYSIS - SCALE (ALPHA)

- |    |      |   |
|----|------|---|
| 1. | TÄT1 | My tasks and responsibilities are defined so clear that I know exactly, what by me are expected |
| 2. | TÄT2 | My job corresponds to my abilities and strengths.   |
| 3. | TÄT3 | I can participate in decisions, which concern my work situation.                                |
| 4. | TÄT8 | All in all I am very content with my job.   |
| 5. | PE1  | I have to learn the possibility, in order to be prepared for my future.                         |
| 6. | PE5  | My high-level personnel discusses my vocational development with me.                            |
| 7. | PE6  | All in all I am very content with my vocational development possibilities.                      |

#### Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Alpha if Item Deleted
TÄT1	16,8928	52,6556	,6099	,8854
TÄT2	16,8850	51,7914	,6507	,8811
TÄT3	16,6098	48,8609	,6976	,8754
TÄT8	16,9038	50,5813	,7519	,8709
PE1	16,5213	49,5315	,6634	,8796
PE5	16,1024	45,8628	,6956	,8781
PE6	16,3045	46,4383	,7928	,8632

#### Reliability Coefficients

N of Cases = 6766,0

N of Items = 7

Alpha = ,8922

## Reliability of the new scales

### Reliability – Pay

R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   ( A L P H A )

1.            BEZ2            Compared with other companies I am very well remunerated with the BMW Group.
2.            BEZ7            All in all I am very content with my payment as well as the social and fringe benefits.

#### Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Alpha if Item Deleted
BEZ2	3,0147	2,5515	,8024	.
BEZ7	3,1486	2,6578	,8024	.

#### Reliability Coefficients

N of Cases =    5990,0

N of Items =    2

Alpha =        ,8903