

LEADERSHIP STYLE AND LEADERSHIP EFFECTIVENESS: MODERATING ROLE OF
NATIONAL CULTURE DIMENSIONS

ADIB ALI KHEIREDDINE

Research report in partial fulfillment of the requirements for the degree of
Doctor of Business Administration

2008

DEDICATION

To my wonderful parents whose love and blessings
inspire me and enlighten my way in life

ACKNOWLEDGEMENT

Completing this doctoral thesis has been made possible with the support of many people.

I would like to express my gratitude to my supervisor Associate Professor Dr Zainal Ahmad Arifin for his guidance, patience and thought-provoking supervision through out this thesis. I am grateful to Professor Yusserri Zainuddinm and all lecturers in School of Management and Advanced Management Center for the knowledge and assistance provided to me.

I would like to thank the management and employees of the MNC participated in this study.

My personal thanks go to all my teammates during this study especially Mohd Faiz Hilmi for all the useful discussions and projects done together.

Last, and foremost, I must acknowledge the tremendous support, encouragement and scarify provided to me during this study by my wife Lina, my boys Ibrahim and Mustafa as well as my brothers and sister. Without their support, I would not be able to finish it.

TABLE OF CONTENTS

	Page
DEDICATION	i
ACKNOWLEDGEMENT	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	vi
LIST OF FIGURES	viii
LIST OF APPENDICES	ix
ABSTRAK	x
ABSTRACT	xii
CHAPTER 1 INTRODUCTION	
1.1 Introduction	1
1.2 Background of The Study	4
1.3 Problem Statement	6
1.4 Purpose of The Study	7
1.5 Research Objectives	8
1.6 Research Questions	8
1.7 Significance of The Study	8
1.8 Scope of The Study	10
1.9 Definitions of Key Terms	10
1.10 Organization of The Chapters	13

CHAPTER 2 LITERATURE REVIEW

2.1	Introduction	15
2.2	Leadership	15
2.3	Leadership Effectiveness	29
2.4	Leadership Style	32
2.5	National Culture	39
2.6	Gaps in the Literature	45
2.7	The Underlying Theory	51
2.8	Theoretical Framework	52
2.9	Hypothesis	53
2.10	Summary	56

CHAPTER 3 METHODOLOGY

3.1	Introduction	57
3.2	Type of the Study	57
3.3	Population and Sample	57
3.4	Study Setting	59
3.5	Unit of Analysis	59
3.6	Sampling and Procedures	60
3.7	Variables and Measures	60
3.8	Data Analysis Methods	67
3.9	Summary	75

CHAPTER 4 DATA ANALYSIS AND FINDINGS

4.1	Introduction	76
4.2	Profile of Respondents	76
4.3	Goodness of Measures	79
4.4	Descriptive Statistics	88
4.5	Modified Framework and Hypotheses	89
4.6	Correlation Analysis	91
4.7	Hypothesis Testing	92
4.8	Summary of Findings	96

CHAPTER5 DISCUSSION AND CONCLUSION

5.1	Introduction	98
5.2	Recapitulation of the Study's Findings	98
5.3	Discussion on the Findings	99
5.4	Implications of the Study	102
5.4.1	Theoretical Implications	102
5.4.2	Practical Implications	104
5.5	Limitations of the Study	105
5.6	Suggestions for Future Research	106
5.7	Conclusion	107

REFERENCES	109
-------------------	------------

APPENDICES	115
-------------------	------------

LIST OF TABLES

Table	Title of Table	Page
Table 2.1	Overview of major leadership theories	22
Table 2.2	Dimension of the Transformational and Transactional Leadership	38
Table 2.3	Summary of relevant studies on Leadership Style and Performance	49
Table 3.1	Sample selection categorized by Employees VS Manager and by region	58
Table 3.2	Population frame categorized by Employees VS Manager and by region	58
Table 3.3	Dimension of MLQ-5X for Leadership Effectiveness	63
Table 3.4	Dimension of MLQ-5X for Transactional Leadership Constructs	64
Table 3.5	Dimension of MLQ-5X for Transformational Leadership Constructs	65
Table 3.7	Dimensions of National Culture	66
Table 3.8	Summary of Instruments for variables used in this study	67
Table 4.1	Respondents' Profile	78
Table 4.2	Factor and Reliability Analysis of Leadership Effectiveness	80
Table 4.3	Factor and Reliability Analysis for Transformational Leadership	82
Table 4.4	Factor and Reliability Analysis of Transactional Leadership	84
Table 4.5	Factor and Reliability Analysis of National Culture	86
Table 4.6	Reliability Analysis for all variables in the study	88
Table 4.7	Descriptive Statistics for all variables in the study	88
Table 4.8	Reliability Analysis for all variables in the study	91
Table 4.9	Relationship between Leadership Style and Leadership Effectiveness	93
Table 4.10	Hierarchical Regression – Measure of Power Distance and Individualism as Moderator on Independent Variables-Leadership Styles	95

LIST OF FIGURES

Figure	Title of Figure	Page
Figure 2.1	Levels of culture	40
Figure 2.2	Cultural orientation	42
Figure 2.3	Theoretical framework	53
Figure 4.1	Modified theoretical framework	90

LIST OF APPENDICES

Appendix	Title of Appendix	Page
Appendix A	Research Questionnaires	115
Appendix B	Frequency Table for Profile of Respondents	126
Appendix C	Factor and Reliability analysis for Leadership Effectiveness	129
Appendix D	Factor and Reliability analysis for Transformational Leadership	134
Appendix E	Factor and Reliability analysis for Transactional Leadership	147
Appendix F	Factor and Reliability analysis for National Culture Dimensions	155
Appendix G	Descriptive Statistics and Frequencies of Principal Constructs	160
Appendix H	Correlation Analysis of Principal Constructs	161
Appendix J	Regression Analysis: Independent Variables and Leadership Effectiveness with moderator variable national culture	162

ABSTRAK

Di dalam era globalisasi, interaksi perniagaan berbudaya silang adalah sesuatu yang menjadi norma, bukan lagi sesuatu yang dikecualikan. Ianya melibatkan bukan sahaja golongan pengurus, pekerja dan rakan setugas, malah pembeli, pembekal serta rakan kongsi perniagaan juga adalah terlibat sama. Dengan itu, adalah menjadi satu keperluan untuk seseorang pemimpin hari ini untuk mempunyai kepakaran dan kesedaran terhadap aspek pengantarabangsaan (Derr *et al*, 2002) dan kejayaan sesebuah perbadanan multinasional (MNC) adalah bergantung kepada cara pemimpin bertindakbalas terhadap budaya kebangsaan sesuatu tempat atau keadaan (Prieto, 2004). Justeru, pemimpin MNC sekarang dicabar untuk memimpin secara kental dengan mengambilkira aspek budaya silang. Kepimpinan Transformational (TF) dan Kepimpinan Transactional (Bass, 1997) mempunyai kesan yang merangkumi semua aspek and boleh digunakan di merata dunia dan dalam pelbagai bentuk organisasi. Akan tetapi masih terdapat penemuan yang bercanggah (ie Pillai, Scandura and William, 1999; Dubinsky, Yammarion dan Jolson, 1995).

Kajian ini menyelidik kesan pimpinan TF dan TS ke atas keberkesanan kepimpinan dengan disederhanakan oleh peranan dimensi budaya kebangsaan, jarak kuasa dan individualisme di dalam rangkaian bekalan global sesebuah MNC. Kepimpinan TF tidak mempunyai kaitan yang signifikan dengan keberkesanan kepimpinan dan dimensi jarak kuasa budaya kebangsaan dan individualisme. Manakala keberkesanan kepimpinan dan dimensi jarak kuasa budaya kebangsaan dan individualisme tidak memberi kesan penyederhanaan ke atas interaksi di antara cara kepimpinan dan keberkesanan kepimpinan. Ini menambahkan lebih banyak penemuan ke atas aplikasi Teori kepimpinan TF di dalam rangkaian bekalan global sesebuah MNC. Pada

aspek praktikal, keputusan kajian boleh digunapakai sebagai asas piawaian amalan terbaik serta membantu dalam pembentukan program latihan untuk pemimpin MNC.

ABSTRACT

In the current era of globalization, cross-cultural business interactions are becoming the norm rather than the exception, involving not only managers, employees and colleagues, but also customers, suppliers and business partners. With this, today's leaders of multinational companies (MNC) are required to have international skills and awareness (Derr, Roussillon, and Bournois, 2002) and the success of MNC depends on the effective leadership and how well the leader acts in a manner sensitive to the national culture in which they operate (Prieto, 2004). Hence current leaders in MNC are challenged to have leadership robust in cross-cultural environment. Per Bass (1997) Transformational (TF) and transactional (TS) leadership have universality effects in all parts of the globe and in all forms of organizations but there are contradicting findings found (i.e. Pillai, Scandura, and Williams, 1999; Dubinsky, Yammarion, and Jolson, 1995).

This study examined the effect of TF and TS leadership styles on leadership effectiveness with the moderating role of national culture dimensions power distance and individualism in global supply chain organization of MNC. TF leadership had significant strong relationship on leadership effectiveness; TS leadership had no significant relationship with leadership effectiveness and national culture dimensions power distance and individualism did not have significant moderating effect on the interaction between leadership style and leadership effectiveness. This added more findings on the application of transformational leadership theory in the settings of global supply chain of MNC. To the practical world, this result can be invested in developing standardized best practices and training programs for leaders in MNC.

CHAPTER 1

INTRODUCTION

1.1 Introduction

Leadership has long been a subject of study for researchers and philosophers alike, and to many, the study of history is simply the study of leaders (Bass, 1990). In our current era of globalization global market has become the area of competition for companies to survive. Cross-cultural business interactions are becoming the norm rather than the exception, involving not only managers and employees, but also customers, suppliers and business partners. As the world becomes increasingly global and our workforces become more cross-culturally diverse, the challenges for leaders become more demanding (Bass and Riggio, 2006) and leaders need to be skilled in working with people from other cultures (Adler, 2002).

Definition of success in our current era transcends national boundaries (Adler, 2002) and current employers require their leaders to have international skills and awareness (Derr et al., 2002). Today's leaders of multinational companies (MNC) are being challenged to lead globally (Thorn, 2003). They face the intense competition of global economy in dealing with business partners as well as managing their organizations that transcend boundaries of nationality, culture, language, time and space. In the current global cross-cultural environment, the success of multinational companies depends on effective leadership and how well the leader acts in a manner sensitive to the national culture in which they operate (Prieto, 2004).

With such important role for leadership effectiveness, some MNC has taken special steps to improve the leadership effectiveness of their leaders. For instance, Agilent Technologies Inc. used a combination of mini-surveys, telephone check-ins, and face-to-face interviews to

determine perceived improvement in a leader's overall leadership effectiveness. Then, based on findings, Agilent Technologies Inc. developed and delivered a coaching program and monitored the progress of improvements in their leader's leadership effectiveness (Carter, Ulrich, & Goldsmith, 2005).

Cross-cultural research on leadership emphasizes that different cultural groups generally have different leadership constructs and expectations (House, Javidan, Hanges, & Dorfman, 2002). What would be the right or the best leadership style for one group with certain cultural background might not necessary be the same for other groups with different cultural backgrounds; in some cases it could be completely the opposite. For example, in Malaysia where a collectivist culture, social harmony, and hierarchical differences are valued, effective leaders are expected to show compassion while using more of an autocratic than participative leadership style (Kennedy, 2002). On the other hand, in Turkish culture is distinguished by collectivism, power distance, and centralized decision making, strong directive leadership and limited delegation (Pasa, 2000).

To illustrate the problem being addressed in this study, the researcher presents his personal case of an expatriate manager from MNC head quarter's office located in North America who was placed in Malaysia to establish a local organization that provides services globally to all sites. Part of the work requirements for the employees of this organization is to deal with customers, suppliers and colleagues around the world. Besides that, as commonly practiced in MNCs for global and regional functions, matrix reporting structure is in place for this organization whereby employees have dual reporting: 1) functionally, to a global functional manager and 2) operationally, to a local manager. Within such a cross-cultural environment leaders are challenged and are in desperate need for the right leadership style that would enable

them to run their organizations. When participative leadership was practiced, which is well accepted and encouraged by the team in North America, in this organization it was received with questions and doubts on the decision making and assertiveness ability of the leader. Interestingly, when autocratic leadership style, which effective leaders are expected to use more than participative leadership style in Malaysia per Kennedy (2002), was practiced in this organization the reaction was very well received as well. Such cross-cultural matrix reporting environment is common in MNC especially for global and regional functions. So in such globalized cross-cultural environment for business leaders to maintain their leadership effectiveness, they are challenged to have leadership styles that are robust in cross-cultural environment and settings.

In this regard, transformational leadership theory which consists of transformational and transactional leadership have been quoted to have universality effects in all parts of the globe and in all forms of organizations (Bass, 1997). But there were studies done with inconsistent results found in Middle East and India (Pillai, et al., 1999) and in sales team (Dubinsky et al., 1995). Beside that, Hofstede (2001) argued that theories created in one cultural context might not be fully implemented in different cultural contexts. Therefore, in this study the intention is to shed some light on this area by studying transformational leadership theory with the influence of national culture dimensions.

This study is not at the level of culture, but rather at the level of the leader as individual and for that our focus is less on culture in total and more on specific cultural dimensions held by the leader. The current progress of globalization is reducing barriers between countries and encouraging more interdependencies, interactions and physical movements of people. Citizens of one country are becoming more mixed of people from different cultures whereby different cultural norms and values can co-exist within a country (Lytle, Brett, Barnes, Tinsley, &

Janssens, 1995). Having said that, this study is focused on the national culture dimensions of the leader and Hofstede (1980) national culture model was adopted which will be covered in details in the following sections.

1.2 Background of the Study

Globalization and competition are dramatically changing the overall business environment where the corporate world is becoming more and more interdependent. The interdependency in global business environment has driven the workforce of global companies and many industrialized nations to increasingly become diverse in their cultural background and scattered in different physical locations.

To succeed in this era of global corporation, cultural diversity has to be recognized, understood and appropriately used in organizations (Adler, Doktor, and Redding, 1986). Failing to recognize cultural differences can create substantial obstacles to effective teamwork that may be subtle and difficult to recognize until significant damage has already been done (Brett, Behfar, and Kern, 2006)

In this context, leader's ability to inspire, motivate, and create commitment to common goals across different cultures is crucial (Bass, 1985). These abilities are similar to those described as being involved in transformational and transactional leadership which both have positive effects on leadership effectiveness but transformational style is stronger (Bass, 1985). As a result, leadership style (LS) and national culture (NC) and their links to leadership effectiveness (LE) are now among the hottest business topics for academicians, practitioners and the popular business press.

Despite the popularity of transformational and transactional leadership, there are many studies done worldwide and inconsistent results were found. For example, in contrast to the studies done in the western context whereby transformational leadership style has more satisfied followers than transactional leadership, results of studies in Middle East and India did not find that transformational leadership style has more satisfied followers (Pillai, et al., 1999).

This raises the question on the universality of transformational and transactional leadership theory in regards to cross-cultural context. Universality of transformational and transactional leadership is a subject of debate between scholars. There are mainly two approaches, the universal approach and the culture specific approach. The universal approach calls for cultural free transformational and transactional leadership. This means that when transformational and transactional leadership is implemented in different cultural context from its origin, the same results should be found. Bass (1991) supported this approach as well as the GLOBE study (House et al., 1999). The culture-specific perspective suggests that many leadership styles developed in North American culture may not have the same effect when implemented in different cultural context (Hofstede, 2001), individuals with different cultural values may perceive leadership differently.

This is also related to one of the common problems in cross-cultural studies given that most current business solutions and theories are developed in single context culture but they are applied in most of the world with different cultural contexts. Ninety percent of studies are still based on data from the USA and Western Europe, which together account for only about 30% of the world population (Triandis, 1994), at the time when it has been estimated that by 2025 87.5% of world population of 8.3 billion will reside in Asia and Africa (World Populations Prospects, 1996).

Whereas organizations increasingly operate globally, knowledge is still mainly western oriented. This raises a fundamentally important question to organizations in this era: How will management practices of global organizations be affected with the global population and economic shifts changes? How well does “think globally and act locally” apply to current leadership theories?

1.3 Problem Statement

The growing interdependence of national economies has created a demand for managers to be skilled in working with people from other cultures (Adler, 2002). It has become the requirements from employers for leaders to have international experience (Derr et al., 2002). With this, the success of multinational companies depends on the effective leadership and how well the leader acts in a manner sensitive to the national culture in which they operate (Prieto, 2004). Findings from cross-cultural research indicated that different cultural groups generally have different leadership constructs and expectations (House, et al., 2002). So what is needed is a leadership style that is universal to work in cross cultural environment.

Transformational and transactional leadership has been quoted to have robustness effects (Dorfman, 1996) and universality effects (Bass, 1997). In fact, Bass (1997) argued that transformational and transactional leadership can be found in all parts of the globe and in all forms of organizations. But there are contradicting findings from researches done by different scholars in different parts of the world on the application of the transformational and transactional leadership theory. Results of study in Middle East and India did not find that transformational leadership style has more satisfied followers (Pillai, et al., 1999) whereby studies done in the western context found transformational leadership style has more satisfied

followers of transactional leadership (Bass, 1985; 1995). Also, findings from study done on Bass's transformational and transactional leadership theory in sales team by Dubinsky et al. (1995) found out that transactional leadership has more effect than transformational leadership which contradicts Bass's (1985) leadership theory that states transformational leadership has more effect than transactional leadership on leadership effectiveness. This triggered the debate on the universality of transformational and transactional leadership theory which leaves a gap that needs to be fulfilled. Bass (1997) argued that transformational and transactional leadership should travel well across cultures and the universality of the transformational and transactional leadership was based on the fact that leaders, who practiced transformational leadership, were more effective than those who displayed transactional or non-leadership behaviors, regardless of cultures, countries and organizations. On the other side Hofstede (1995) argued that culture is a deep value system of people and was unlikely to change thus management practices needed to be tailor-made to fit diverse cultural backgrounds.

Based on the mentioned above, this study contributes in closing this gap by testing the effect of transformational and transactional leadership style on leadership effectiveness with the moderating role of national culture dimensions power distance and individualism in global supply chain organization of multi national company.

1.4 Purpose of the Study

The purpose of this study is to better understand the relationship of transformational and transactional leadership on leadership effectiveness within different national cultural dimensions. This should enable today's leaders to consider cultural dimensions in general and particularly Hofstede power distance and individualism cultural dimensions.

1.5 Research Objectives

This study examines the relationship of transformational and transactional leadership on leadership effectiveness with the consideration of national culture dimensions. Specifically, this study covers the following:

1. To study the relationship between leadership style and leadership effectiveness.
2. To identify the difference in the effect of transformational leadership and transactional leadership on leadership effectiveness.
3. To examine the moderating role of national cultural dimensions on the relationship between leadership style and leadership effectiveness.

1.6 Research Questions

This study attempts to answer the following questions:

1. What is the relationship between leadership style and leadership effectiveness?
2. Does transformational leadership style have greater effect on leadership effectiveness than transactional?
3. Do national culture dimensions moderate the relationship between leadership styles and leadership effectiveness?

1.7 Significance of the Study

Business practices should be constantly updated to reflect current business changes. One of the benefits from this study is the fact that it is addressing one of the hottest current business issues cross-cultural leadership, which is required in managing employees and dealing with partners with different cultural background.

This study examines and provides solution to the current and real life challenging problem faced by leaders in managing cross-cultural organizations, particularly in global and regional functions of MNC. Leaders need to be equipped with robust leadership that work is effective in cross-cultural environment. Such cases of managing cross-cultural teams will continue to increase as the globalization process continues to advance further in the future. Therefore, the practical significance from study carries instrumental benefits to current business issues as well as the future.

This study provides new insights and findings on the applicability of transformational and transactional leadership theory in international context in general and in multinational companies in particular. This knowledge can be applied to deal with challenges in current business environment. Beside that, this study will take up the latest suggestion proposed by Bass and Riggio (2006) to study transformational and transactional leadership theory with the moderator effect of national culture.

Whereas organizations operate globally, the knowledge is still mostly developed locally in one cultural context. In the current business practices for multinational companies, it is common for managers to have teams around the world with very different cultural backgrounds. What makes sense in one location with certain cultural context might not be the same in different location with different cultural context and in some cases can be completely the opposite. This study was done in international context so it should add more evidence for transformational and transactional leadership theory.

Most of the cross-cultural researches usually take the approach of studying the overall national culture of countries to analyze how this affect certain phenomenon, yet few studies have explored into going beyond nationality level to study the effect of specific individual national

dimensions (e.g. Lim and Abdullah, 2001 in Asia; Yoo and Donthu, 2005 in North America). Therefore taking the approach of studying specific cultural dimensions instead of overall national culture contributes further to the body of knowledge in this area.

1.8 Scope of the Study

This study is done in international context with participants from different countries and cultural background located in the three regions America, Asia and Europe. Respondents are from global organizations in a multinational company that has sites in all regions. Conducting survey in one company helps to control differences between companies such as organizational culture.

1.9 Definitions of Key Terms

This section identifies the key terms used in this study. In this study we are studying the effect of leadership style transformational and transactional on leadership effectiveness with the consideration of the moderating role from national culture dimensions. So the focus is on how transformational and transactional leadership styles as phenomenon are influencing leadership effectiveness when leader as well as followers has national cultural dimensions of power distance and individualism.

In this study we adopt the transformational leadership theory as conceptualized by Bass and Avolio (1995) which consists of two leadership styles transformational leadership style and transaction leadership style. Also, both transformational and transactional leadership are mutually exclusive which means both of them can coexist at the same time (Bass, 1985). Therefore, during this study, the term transformational leadership theory is meant to refer to both

leadership styles transformational leadership and transactional leadership; and the term transformational leadership refers to transformational leadership style only.

1.9.1 Leadership Effectiveness

For leadership effectiveness we consequently use Bass and Avolio (1995) conceptualization as well to ensure that measurement of the relationship between the variables of this study is valid and reliable. Per Bass and Avolio (1995) leadership effectiveness consists of three items: leader effectiveness, follower job satisfaction and extra efforts. Each of the three items will be covered in separate sections.

1.9.1.1 Leader Effectiveness

Leader effectiveness reflects leader's effectiveness as perceived by others. It includes four areas: meeting job related needs of followers, representing followers' needs to higher-level managers, contributing to organizational effectiveness; and performance by the leader's work group (Bass and Avolio, 1995).

1.9.1.2 Follower Job Satisfaction

This reflects the satisfaction level for leader and followers with the leader's style and approach as well as how satisfied they are in general with the leader (Bass and Avolio, 1995).

1.9.1.3 Follower Extra efforts

Extra efforts indicate how much followers give results beyond the normal level because of the leadership style. This very much related to follower performance so in this study we will focus on performance as the main practical outcomes for leadership effectiveness.

1.9.2 Leadership Style

Researchers define leadership according to their individual perspectives and phenomenon of most interest to them (Yukl, 2002). So there are almost as many definitions of leadership as the persons who attempted to define it (Stogdill, 1974). In our study we use Bass and Avolio (1995) definition of transformational and transactional leadership styles.

1.9.2.1 Transactional Leadership

Transactional leader exchanges rewards and promises of reward for performance between leader and followers. It is responsive to the immediate self-interest of followers. Transactional leadership is measured by three criteria: (a) Contingent Reward Leadership, (b) Management by Exception (Active), and (c) Management by Exception (Passive) (Bass and Avolio, 1995).

1.9.2.2 Transformational Leadership

Transformational leadership goes beyond exchanging of reward for desired performance by developing, intellectually stimulating, and inspiring followers to transcend their own self-interests for a higher collective purpose. Transformational leadership is measured by five criteria: (a) Idealized Influence (Attributed), (b) Idealized Influence (Behavior), (c) Inspirational

Motivation, (d) Intellectual Stimulation, and (e) Individualized Consideration (Bass and Avolio, 1995).

1.9.3 National Culture Dimensions

Culture is the collective programming of the mind, which distinguishes the members of one human group from another. It is the interactive aggregate of common characteristics that influence a human group's response to its environment. A culture determines the identity of a human group in the same way as personality determines the identity of an individual (Hofstede, 1980). National culture is defined in five dimensions: power distance, uncertainty avoidance, individualism, masculinity (Hofstede, 1980), and long versus short-term orientation (Hofstede, 1991). In this research two out of five dimensions from Hofstede's (1991) five dimensions for national culture are used: namely power distance and individualism. Details on why power distance and individualism were particularly selected are covered in section 2.5.1 National Culture Dimensions.

1.10 Organization of The Chapters

Chapter one presents the introduction of the study which includes the introduction of the chapter, background of the study, problem statement that this study will address, purpose of the study, scope of the study, research objectives, research questions, significance of the study, scope of the study, definitions of key terms and the organization of chapters.

Chapter two covers the literature review which presents the literature related to the constructs for this study. It includes the introduction section for the chapter, leadership effectiveness, leadership style, national culture, gaps in the literature, theoretical framework, hypothesis and finally the summary section of the chapter.

Chapter three covers the methodology used in this study. It starts with introduction section for the chapter, follows by type of the study, population and sample, study setting, unit of analysis, sampling and procedures, variables and measures, statistical analysis, and finally with summary section.

Chapter four covers data analysis and findings of the study. It includes the following sections: section one is introduction, section two is the profile of respondents to the survey, section three is the goodness of measures analysis, section four is the descriptive statistics, section five is modified framework, section six correlation analysis, section seven is regression analysis, section eight hypotheses testing, and final section summary of the chapter.

Chapter five is the final one for the study and covers the discussion and conclusions of the study. It includes the following sections. Section one is introduction, section two presents the recapitulation of the study's findings, section three covers the discussion on the findings, section four discusses the implications of the study, section five presents limitations of the study, section six presents the suggestions for future research and finally section seven covers the conclusion.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the literature review relevant to the present research in order to place the focus areas of this study leadership effectiveness, leadership style and national culture dimensions, into their historical and theoretical context, and to trace relations between these areas. Each of these key focus areas is discussed in turn. This chapter covers several sections. Section one presents the introduction, section two covers the leadership effectiveness construct and dimensions, section three covers leadership styles, section four reviews national culture and dimensions, section five presents the gaps in literature for this study, section six presents the theoretical framework, section seven covers the hypothesis and section eight is the summary of the chapter.

2.2 Leadership

Leadership is probably one of the world's oldest topics that people thought of frequently (Bass, 1990); The history of mankind is rich with subjects about leadership and much of what we describe as history is the story of military, political, religious, and social leaders (Yukl, 2002); the study of history is simply the study of leaders (Bass, 1990). Ancient Egyptian, Chinese, Greek, and Roman cultures all devoted much thought to the principles of leadership with the intention to generalize what could be applied to current leaders from past leaders (Yukl, 2002).

The term leadership has been in existence since the late 1700 (Stogdill, 1974), but scientific research on leadership did not begin until the twentieth century (Stogdill, 1974, Bass, 1981, & Yukl, 2002). During the twentieth century leadership has been researched extensively in a variety of different perspectives. Since then, some progress has been made in understanding leadership but many questions remained unanswered (Fiedler, 1996 and Yukl, 2002). Despite the intensive research done on leadership and the progress made in understanding this phenomenon, there is still confusion and disagreement among researchers.

Bennis (1959): Of all the hazy and confounding areas in social psychology, leadership theory undoubtedly contest for the top nomination.

Stogdill (1974): The endless accumulation of empirical data has not produced an integrated understanding of leadership.

Burns (1978): Leadership is one of the most observed and least understood phenomena on earth.

Rost (1991): Most of what is written about leadership has to do with its peripheral elements and content rather than with the essential nature of leadership as a relationship.

Yukl (2002): The differences of leadership definitions by scholars reflect deep disagreement about identification of leaders and leadership process.

Vugt, Hogan, and Kaiser (2008): Leadership is a crucial but often misunderstood topic.

These statements are very different showing lack of consensus understanding among scholars regarding leadership concept, process and definition. Much of the leadership misunderstanding comes from the tendency to think about leadership only in terms of the people in charge without considering followership and psychology of followers (Vugt et al., 2008). The lack of integration between the literature on leadership and literature of followership is one of the most failures in the study of leadership (Burns, 1978; Yukl, 2002). Beside that, researches focused on isolated theories without making the connections between them (Bass, 1990; Yukl,

2002). With such disagreement on the concept of leadership and its definition, it is worthwhile providing an overview on the major researches done on this topic.

2.2.1 Definition of Leadership

Leadership is defined by researchers according to their individual perspectives and phenomenon that are of most interest to them (Yukl, 2002). With this, there are many different definitions of leadership and almost as many as the persons who have attempted to define it (Stogdill, 1974). Some researchers such as Bass (1990), Rost (1991) and Yukl (2002) considered, it was essential to draw together and analyze the many definitions used by writers on leadership.

Rost (1991) reviewed 587 books, chapters and articles, severely limiting works by the same author, and generally omitting textbooks and suggested definition for universal acceptance is "Leadership is an influence relationship among leaders and followers who intend real changes that reflect their mutual purposes" (Rost, 1991:102). But Yukl (2002) and Bass (1990) argued that researchers define leadership according to their own perspective and interests, and therefore it would be difficult, if not impossible to distill the essence of all these definitions into one which would be meaningful and acceptable to all.

Yukl (2002) summarized leadership definitions in terms of traits, behaviors, influence, interaction patterns, role relationships, and occupation of administrative position with the common assumption that intentional influence by one person is exerted over people to guide structure and facilitate activities and relationships in a group or organization. Leadership definitions differ in terms of who exerts influence, the intended purpose of influence, the manner in which influence is exerted, and the outcome of the influence attempt (Yukl, 2002).

Bass(1990) examined 7,500 works on leadership and concluded that even though the definitions are almost innumerable, they fall in a rough classification scheme as follows: “Leadership has been conceived as the focus of group processes, as a matter of personality, as a matter of inducing compliance, as the exercise of influence, as particular behaviors, as a form of persuasion, as a power relation, as an instrument to achieve goals, as an effect of interaction, as a differentiated role, as initiation of structure, and as many combination of these definitions” (Bass, 1990:11). In this study we adopted the definition of Bass (1990) definition of leadership.

2.2.2 Major researches and theories on Leadership

Literature on leadership is vast and bewildering and was created due to the attraction of leadership as a subject and the many concepts of leadership (Yukl, 2002). Many researchers reviewed leadership theories from different perspective and organized them in different approaches such as Stogdill (1974), Bass (1990), Fiedler and Hours (1994), Seters et al. (1999), Yukl (2002), and Vugt et al. (2008).

Stogdill (1974) analyzed the evolution of leadership theory by classifying researches into three groups Beginnings, Experimentally influenced Theories and Theories of Group Achievement. Later each group will be reviewed briefly.

The earliest writings on leadership were almost exclusively theoretical in nature and were divided into two major schools of thoughts situational school and personalistic school. Situational school regarded leadership as a nucleus or focus of group processes and leader is a product of time and circumstance. Leadership type that group will accept depends on the nature of the problems group is faced. Personalistic school regarded leadership as an effect of the group members engage in the pursuit of a common cause. A new personalistic school of thought

emerged during the decade of the 1920's which emphasized the importance of the leader as an individual to whom group is largely subservient. As quoted by Stogdill (1974) "Munson (1921) and Allport (1924) regarded leadership as the art of inducing compliance. Bowden (1926) and Bingham (1927) defined leadership in terms of personality and its effect on the group. Nash (1929) held that leadership is the exercise of influence, while Schenk (1928) regarded it as a form of persuasion".

The second group of researches "Experimentally influenced Theories" covers the Trait Approach, Behavior Approach where the main difference is that leadership was to be explained by what the leader does and not what he is. This stimulated the development of exchange theories and expectancy-reinforcement theories. Exchange theory views leadership as an exchange relation whereby followers surrender some of their status and autonomy in return for the services of the leader in maintaining goal direction and unity of action for the group. Expectancy-reinforcement theory reinforces the mutual expectation, between the members of a group in their interaction with each other, that one member will be more effective than others in maintaining group structure and goal direction (Stogdill, 1974).

The third group of researches "Theories of Group Achievement" covers the development of path goal theory and contingency theory. The main point of Path goal theory is that the extent of leader exhibits consideration or initiates structure determines the followers' perceptions of reward available to him or the paths through which rewards may be attained consequently. Contingency model concludes task-oriented leaders are most effective in the situations that are favorable to the exercise of leadership and person-oriented leaders are most effective in situation that is moderately favorable to the leader. The conclusion of both path-goal and contingency

theories is that no single patterns of behavior will effective in all situations and in fact different behaviors produce different effects (Stogdill, 1974).

Fiedler and House (1994) reviewed the literature on leadership that took place in the previous 40 years and identified seven items as the most important advances in leadership knowledge (Fiedler, 1996):

1. Emergent Leadership. Members who have abilities, skills or resources to assist the group to achieve their goal are likely to be chosen or accepted as leaders.
2. Leader Effectiveness, achieving group goals depends on how well leader's personalities, abilities and personality match situation in which leader operates.
3. Stress and control over group process and outcome. How the situation affects the leader's feeling of being in control and stress in dealing with groups and tasks.
4. Leader behaviors. Two major behaviors identified: Leaders treat employees well or poorly and leader structure the roles as well as working relationship of subordinates.
5. Charismatic leaders are individual totally committed to their vision and goals but may not be effective in achieving them yet but their followers are obedient and loyal.
6. Gender and race differences. Provided that other factors re being equal, men and woman from different racial and ethnic background are equally effective as leaders.
7. Attributed abilities, skills and motivations. Motivation and abilities attributed by leaders and followers to one another affect how they deal and behave with each other (Fiedler, 1996).

Van Seters, D.A., Stevenson, Kellogg, Ernst, Whinny, Field, R.H.G. (1999) took different nontraditional approach in reviewing the literature on leadership. They analyzed major areas of leadership research using the taxonomy and nomenclature of evolution to acknowledge

each major leadership research approach in terms of evolutionary eras and periods. Theories were spread over nine eras personality era, influence era, behavior era, situation era, contingency era, transactional era, Anti-leadership era, culture era, and transformational era. Details of each era are in Table 2.1. Differently from traditional review that presents development or evolution of major leadership research occurring in a chronological sequence using time as the differentiator factor, this study categorized the major leadership research in their relative order in the development of leadership theory. Each new era represents a higher stage of development in leadership thoughts process (Seters, et al., 1999).

Leadership theory started as very one-dimensional, internal and individualistic process focused first on leader's personality and moved on to traits and behaviors consequently. Then it moved on to consider the relationship and interaction with others. From there situational factors were added to the relationship between leader and subordinates relationship. With the existence of many one-dimensional theories, leadership evolved into multidimensional combining all personality, behaviors, influence and situation forming contingency theory. In further enhancements focused on leadership theories focused as bottom-up process and not only top-down where situational factors as well as situational were considered again but in an integrative manner. Building on situational factors and considering the top-down influence to manage organization direction culture era emerged which extended the interactions from group level to organization level. Final era or stage of leadership theory is transformational era where leadership occurs at all levels of the organization, affected by person involved, their situation and their influences on each other (Seters, et al., 1999).

Table 2.1

Overview of major leadership theories

Era	Period	Theory/Focus	Major Studies
Personality Era (Focus on leader personalities)	Great Man Period	Great Man Theory (Individual leaders personalities)	Bowden, 1927; Carlyle, 1841; Galton, 1869
	Trait Period	Trait Theory (General traits of leaders)	Bingham, 1927
Influence Era (leadership is relationship between individuals)	Power Relation Period	Five Bases of Power Approach (Source, amount and how power commanded by leaders)	French, 1956; French and Raven, 1959
	Persuasion Period	Leader Dominance Approach (Leader was acknowledged as the dominant factor in the leader-member dyad)	Schenk, 1928
Behavior Era (Emphasizing what leaders do, as opposed to their traits or source of power)	Early Behavior Period	Reinforced Change Theory	Bass, 1960
		Ohio State Studies / Michigan State Studies (Initiate Structure (tasks) and consideration (cohesion))	Fleishman, Harris and Burt, 1955 / Likert, 1961
	Late Behavior Period	Managerial Grid Model (9 consideration x 9 initiating structure behavior grid)	Blake and Moutom, 1964
		Four-Factor Theory	Bowers and Seashore, 1966
		Action Theory of Leadership	Argyris, 1976
		Theory X and Y (Theory X, people passive & must be directed & extrinsically motivated. Theory Y, people intrinsically motivated & need proper working conditions)	McGregor, 1960; McGregor, 1966
Operant Period	Leader behavior as the reinforcements	Sims, 1977; McGregor, 1983	

Situation Era (Situational aspects (task, social status, environment) determine the kinds of leader traits, skills, influence and behaviors)	Environment Period	Environment Approach / Open-System Model (Leaders arise only by being in the right place, time and circumstances; their actions were inconsequential)	Hook, 1943 / Katz and Kahn, 1978
	Social Status Period	Role Attainment Theory / Leader Role Theory (Stressed social aspects, each individual act in a manner congruent with previous behavior)	Stogdill, 1959 / Homans, 1959
	Socio-technical Period	Social-technical systems (Combined the environmental and social parameters)	Trist and Bamforth, 1951
Contingency Era (Effective leadership contingent/dependent on behaviors, personality, influence, and situation)		Contingency Theory (Place leaders in situations most suited to them, or train leader to change the situation to match own style)	Fiedler, 1964
		Path-Goal Theory (focused less on situation or leader behavior, and more on providing enabling conditions for success)	Evans, 1970; House, 1971
		Situational Theory (Decision-making behavior most appropriate, depending on situation and need for decision acceptance and quality)	Hersey and Blanchard, 1969; 1988
		Multiple Linkdage Model	Yukl, 1971; 1989
		Normative Theory	Vroom and Jago, 1988
Transactional Era (Influence process is elevated to acknowledge the reciprocal influence of the subordinate and the leader, and the development of their relative roles over time)	Exchange Period	Leader Member Exchange Theory	Dansereau, Grean and Haga, 1975
		Reciprocal Influence Approach	Greene, 1975
		Emergent Leadership	Hollander, 1958
	Role Development Period	Social Exchange Theory / Role-Making Model (The group conveys esteem and status to the leader in return for the leader's skills in furthering goal attainment)	Hollander, 1979, Jacobs, 1970 / Graen and Cashman, 1975

Anti-Leadership Era (As the current paradigm of leadership was not seen to be working, there arose an era of "Anti Leadership")	Ambiguity Period	Attribution Approach (Argued that perhaps leadership is only a "perceptual phenomenon in the mind of observer")	Pfeffer, 1977
	Substitute Period	Leadership Substitute Theory (leader substitute and neutralizer may have been previously built into a situation by a leader; so there is not a lack of leadership, but leadership that occurred at an earlier stage)	Kerr and Jermier, 1978
Culture Era (Leadership is omnipotent in the culture of the entire organization; focus changed from increasing of quantity of work to quality as well)		Mckinsey 7-s Framework	Pascale and Athos, 1981
		Theory Z	Ouchi and Jaeger, 1978
		In Search of Excellence Approach	Peters and Waterman, 1982
		Self-Leadership	Manz and Sims, 1978
Transformational Era (Leaders are proactive, radical, innovative, creative and more open to new ideas and exercise influence to produce enthusiastic commitment)	Charisma Period	Charismatic Theory (Comprehensive theory where leader's traits, behaviors, influence, and situational factors combine to increase subordinate receptivity to ideological appeals)	House, 1977
		Transforming Leadership Theory (Leadership must be visionary transforming people and giving them stronger sense of purpose and meaning)	Burns, 1978
	Self-fulfilling Prophecy Period	SFP Leader Theory (Transformation occur from leader to subordinate just as much as from subordinate to leader)	Field, 1989; Eden, 1984
		Performance Beyond Expectations Approach	Bass, 1985
Integrative Era (To address leadership and organization structural factors, complex technologies, fast-paced change, multiple decision arenas, widely dispersed players, multicultural contexts and extensive political activity)			

Source: Seters, et al. (1999).