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**THE RELATIONSHIP BETWEEN INNOVATION AND LEADERSHIP  
IN FIRST NATIONAL BANK OF SOUTH AFRICA**

A thesis submitted in partial fulfilment of the requirements for the degree of

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by

**PHILIP HENRY WARD**

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## ABSTRACT

This research investigates the relationship between innovation and leadership in First National Bank in South Africa. In an information age paradigm, innovation is a key driver of organisational success. Innovation allows an information age company to create a sustainable competitive advantage over its competitors. First National Bank (FNB) has recognised the need for innovation and measures the amount of innovation generated in each business unit on an annual basis.

Leadership is a key factor influencing innovation in large, multi segment organisations, particularly transformational leadership. Large multi-segment organisations often have multi-functional teams and transformational leadership of these teams more effectively promotes innovation. Large multi-segment organisations also often have complex decision making processes. Transformational leadership ensures optimal innovative decisions rather than adequate decisions are reached.

FNB is a multi-segment organisation comprising ten business units each headed by a Chief Executive Officer (CEO). The relationship between the level of innovation being generated annually by each business unit and the leadership style of the business unit CEO formed the focus of this research. The Multifactor Leadership Questionnaire was used to gather information on the leadership style of each CEO's. Data on the level of innovation within each of these business units was supplied by First National Bank.

Data was statistically analysed against the innovation generated by each business unit using correlation analysis. Most of the results testing the relationship between transformational and transactional leadership and innovation were found not to be significant. This contradicts the theory which suggests a positive relationship between transformational leadership and innovation.

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## **NOTE TO GENDER**

For reasons of convenience, only the masculine (he/his/him) is used in this text. Please note that in all cases the feminine (she/her/hers) is implied as well.

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## CHAPTER 1 - INTRODUCTION

The world we live in today has moved from an agrarian age to an industrial age and is currently changing from an industrial age to an *information age*, and according to Draft (1999:8) in doing so, “the world is undergoing a change more profound and far reaching than any experienced since the dawn of the modern age and the scientific revolution five hundred years ago”.

Draft (1999) argues that just as society was altered irrevocably in the transition from the agrarian to the industrial age, emerging events are changing the way we interact with one another in our personal and organisational lives. Rapid environmental changes are causing fundamental transformations that have had a dramatic impact on organisations and present new challenges for leadership. Draft (1999) suggests these transformations represent a *shift from a traditional to a new paradigm*. “A new paradigm is a shared mindset that represents a fundamental way of thinking about, perceiving, and understanding our world” (Draft, 1999:8). The old paradigm was characterised by industrial age competition in which companies were well served by hierarchical command and control systems whereas in the new paradigm success depends on leadership’s ability to drive *innovation*, creativity and entrepreneurship (Kaplan and Norton, 1996).

The importance of innovation in the new paradigm lies in its ability to create a competitive advantage for the organisation over its competitors. To survive, and earn above average returns in the new paradigm, organisations need to have a *competitive advantage* over their competitors (Hitt, Ireland, and Hoskisson, 2005). For an information age organisation in the new paradigm, strategic competitiveness is achieved when it successfully formulates and implements a value creating strategy. Hitt, et al., (2005) suggest that when a firm implements such a strategy and other companies are unable to duplicate it or find it too costly to imitate, this firm has a sustainable competitive advantage. In the new paradigm *innovation*, in the form of an ability of an organisation to continually invent and re-invent itself, has become one of the key drivers to creating a *sustainable competitive advantage* over ones competitors (Bartlett and Ghoshal, 1994). The ability to innovate is a core competency which has the potential to be valuable, rare, non-substitutable, and costly to imitate. Innovation is ‘unobservable’ and therefore is sustainable for longer than more observable competencies,

thereby creating a sustainable competitive advantage to organisations in the new paradigm (Hitt, et al., 2005).

The need for organisational innovation is changing traditional organisational structures in three important areas, namely; the *organisational leadership framework* required by organisations for creating this innovative culture (Bass and Avolio, 1997), the *organisational measurements* to ensure innovation is driven and measured (Kaplan, et al., 1996), and thirdly *organisational leadership* to manage this human intellect.

The *organisational leadership framework* that characterised the old paradigm has been described by Kaplan, et al., (1996:2) as being characterised by, “Industrial age competition in which companies were well served by hierarchical command and control systems based on a *strategy-structure-systems* framework”. However in the new paradigm Bartlett et al (1994) suggest the scarcest resource has become the knowledge and expertise of the people on the frontline and in this paradigm success depends on leadership’s ability to drive innovation, creativity and entrepreneurship. To do so the old *strategy-structure-systems* management framework needs to be replaced with a more appropriate *people-process-purpose* framework (Bartlett, et al., 1994).

With regards to changing *organisational measurements* Bartlett, et al., (1994) argue that in order to drive this process of innovation in a *people-process-purpose* framework, organisations will have to change their *strategy-structure-systems* organisational success measurements based on summary financial measurement such as return on capital, to more appropriate measures. One such appropriate measure for organisations in the new paradigm is the *balanced scorecard* which includes measurements that drive innovation.

*Organisational leadership* also needs to change in order to meet the needs of these changing paradigms (Bass and Avolio, 1994). It has been suggested that there are two views of leadership, the traditional view of transactional leadership, involving an exchange process between leader and subordinate, and a view of transformational leadership that allows for the development and transformation of people (Bass and Avolio, 1990a). Optimal leadership uses both transactional and transformational leadership and is known as the Full Range Leadership model (Bass, et al., 1990a).

Tichy and Devanna (1986, in Ristow, 1997:40) show how *transactional leaders* were, “suited to the more stable era of expanding markets and little competition that characterised the business environment before 1980”. This is in contrast to the new paradigm which Kotter (1990) and Maree (1997) suggest characterises the contemporary business environment, which require a *Full Range Leadership Framework* which includes elements of both *transactional and transformational* frameworks.

Bass, et al., (1994) suggest there are two important areas where full range leadership can help large multi-segmented organisations drive innovation, namely *multifunctional teams* and *organisational decision making*. Both of these areas cause much difficulty for large organisations trying to drive innovation in the new paradigm. Using transformational leadership in large organisations in the areas of multifunctional teams and organisational decision making will drive innovation out of these organisations.

It is within this context of a changing organisational paradigm that this research takes place in one of the big five South African banks. First National Bank is a large multi-segment bank within which each segment is headed up by a different business unit CEO practicing his own leadership style. The different segments and their roles within the bank are;

- the *African Subsidiaries business unit* which is mandated by FNB to be a centre of excellence that sets up, supports and manages existing African subsidiaries to ensure the achievement of First National Bank’s strategic objectives and targeted revenues in Africa (outside of South Africa)
- the *Branch Banking business unit* which manages the First National Bank branches (within South Africa) which form the merchant space through which First National Bank sells to and services their customers
- the *Brand business unit* which drives brand awareness and advertising
- the *CFO support business unit* (sometimes referred to within FNB as the Human Resource Strategy business unit) provides support to the other segments with regards to strategic human resources, payroll systems, analysis, internal branding and profiling
- the *Commercial business unit* which provides financial services to the businesses and mid corporate sector of South Africa
- the *Corporate business unit* which helps corporate South Africa optimise its cash flow
- the *Public Sector business unit* which provides transactional banking and other services to National, Provincial, and Local Government

- the *Smart Solutions business unit* focuses on the mainstream (mass) markets financial needs for individuals with an income up to R81 000 per annum
- the *Personal Banking business unit* fulfils the financial needs for consumers with an income between R81 000 and R1m per annum
- the *Wealth business unit* provides lending and investment solutions to clients with an income of R1m and above per annum or who wish to invest R1m and above, to improve their net asset value (FNB Pulse b, 2006).

Innovation in First National Bank has been recognised as playing a key role in helping the Bank achieve its vision. Its vision is, “to be a great business helping to create a better world” (FNB Pulse b, 2006). This vision is based on building enduring rewarding relationships with their customers, colleagues and other stakeholders (FNB Pulse b, 2006), hence the Banks pay off line, “how can we help you?” These enduring, rewarding relationships will be built by focusing on three ‘pillars’, namely, empowering people, *driving innovations*, and cost and banking efficiencies. It is this second pillar of ‘innovation’ and its relationship to leadership style that forms the focus of this research.

In April 2005 First National Bank embarked on a focused project to *drive the innovation pillar* in the Bank. A major ongoing internal communication campaign was launched known as the ‘FNB Innovators Campaign’, encouraging staff to submit their innovations which help move the Bank towards its vision. The idea generator of the best overall innovation each year receives a reward of R1million after tax (FNB Pulse a, 2006). The results in terms of the number of successful innovations per business unit are measured on an annual basis.

In terms of the discussion presented thus far, the broad goal of this research is to examine the relationship between innovation and transformational leadership in First National Bank. The specific goal of this research is to see if there is a relationship between the level of innovation generated in each business unit and the leadership style practiced by the CEO of each business unit.

This research begins with a review of the changing organisational paradigm and the role innovation plays in ensuring organisational survival in the new paradigm through the generation of sustainable, above average returns. The impact of the changing organisational paradigm and the need for innovation on organisational leadership frameworks,

organisational measurements, and organisational leadership is then reviewed (Chapter 2). This is followed by a review of the literature on innovation with specific focus on First National Bank's definition of innovation and the role innovation plays in the Bank in ensuring organisational survival (Chapter 3). Theory and practice are then drawn together (Chapter 4) with a review of two ways in which leadership can drive innovation in large organisations. The research methodology used in the study is then discussed including the research; hypotheses, design, population and sampling (Chapter 5). This is followed by a presentation of the empirical results of the research (Chapter 6). Descriptive statistics and reliability analysis are also presented in this chapter to provide further insight. These results are then discussed in the light of the previous research (Chapter 7), and finally the conclusion and implications for future research are discussed (Chapter 8).

## CHAPTER 2 - THE CHANGING ORGANISATIONAL PARADIGM

### 2.1. Introduction

This chapter reviews the literature on the history behind the *changing organisational paradigm* and how these changes are driving a need for organisations to build *core competencies* based on their ability to *innovate* in order to create a *sustainable competitive advantage* in the turbulent hypercompetitive new paradigm organisations find themselves in today (Hitt, et al., 2005). The need for innovation, driven by the changing organisational paradigm, is in turn driving a paradigm change in organisational structure in three important areas, which will also be reviewed in this chapter namely; the *managerial frameworks* required by organisations for creating this innovative culture (Bass, et al., 1997), the *organisational measurements* to ensure innovation is driven and measured (Kaplan, et al., 1996), and thirdly *organisational leadership* skills to manage the employee's human intellect in the new paradigm (Quinn, Anderson and Finkelstein, 1993). These three organisational changes are discussed in more depth below.

### 2.2. The changing paradigm and the need for innovation

The context within which this study takes place is in a world which according to Draft (1999) is undergoing a change more profound and far reaching than any experienced since the dawn of the modern age and the scientific revolution about 500 years ago. He (Draft, 1999:8) states, "just as society was altered irrevocably in the transition from the agrarian to the industrial age, emerging events are changing the way we interact with one another in our personal and professional lives". Draft (1999) explains that this transformation represents a shift from a traditional to a new paradigm in which competition and consequently organisational structures are very different. In this new paradigm success depends on *leadership's ability* to drive *innovation*, creativity and entrepreneurship (Kaplan, et al., 1996).

To survive and earn above average returns in the new paradigm, firms need to have a *competitive advantage* over their competitors (Hitt, et al., 2005). In the information age organisation, a firm's strategic competitiveness is achieved when it successfully formulates and implements a value creating strategy. They (Hitt, et al., 2005) suggest that when a firm implements such a strategy and other companies are unable to duplicate it or find it too costly to imitate, this firm has a sustained (or sustainable) competitive advantage,

an organisation is assured of competitive advantage only after others efforts to duplicate its strategy have ceased or failed. In addition when a firm has achieved *competitive advantage*, it normally can sustain it only for a certain period. The speed with which the competitors are able to acquire the skills needed to duplicate the benefits of a firm's value creating strategy determines how long the competitive advantage will last (Hitt, et al., 2005:5).

Resources, capabilities, and *core competencies* are the characteristics that make up the foundation of competitive advantage. Resources are the source of the firms capabilities. Capabilities in turn are the source of a firms core competencies, which are the basis of competitive advantage. Combinations of resources and capabilities are managed to create core competencies (Hitt, et al., 2005). Core competencies in turn are capabilities that are valuable, rare, costly to imitate and non-substitutable (Hitt, et al., 2005).

The most influential business analysts promoting and developing the notion of core competencies have been Hamel and Prahad (1990) who suggest the sustainable competitive advantage of firms resides not in their products but in their core competencies, "the real source of advantage are to be found in managements ability to consolidate corporate-wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changing opportunities" (Hamel, et al., 1990:86).

Hitt, et al., (2005) hold similar views and suggest that while competitive advantage can come from size, or possession of assets, the pattern is increasingly coming to favour those organisations that can mobilise knowledge and technical skills and experience to create novelty in their offerings (products/services) and the ways in which they create and deliver these offerings.

The Godfather of the area of economic theory dealing with the creation of core competencies was Joseph Schumpeter (1950) who wrote extensively on the subject. Schumpeter (1950) talks of a process of 'creative destruction' where there is a constant search to create something new which simultaneously destroys the old rules and establishes new one, all driven by the search for new sources of profits. His (Schumpeter, 1950) argument was simple: entrepreneurs will seek to use technological innovation, in the form of a new product, or a new service, or a new process for making the product or delivering the service, to achieve a strategic advantage over their competitors. For a while this may be the only example of the innovation so the entrepreneur may expect to make a lot of money – what Schumpeter (1950) calls monopoly profits. But of course other entrepreneurs will see what he has done and try to imitate it, with the result that other innovations emerge, and the resulting 'swarm' of new ideas chips away at the monopoly profits until equilibrium is reached. At this point the cycle repeats itself, and the original entrepreneur, or someone else looks for the next innovation which will rewrite the rules of the game, and so the cycle continues (Schumpeter, 1950).

Innovation (or the ability to innovate) is a resource and an organisation may possess both tangible and/or intangible resources (Hitt, et al., 2005). Tangible resources are assets that can be seen and quantified. The four types of tangible resources are; financial, organisational, physical, and technological resources. Intangible resources include assets that typically are rooted deeply in the firm's history and have accumulated over time. The three types of intangible resources are; human, reputational, and *innovation*. "Because they are embedded in unique patterns or routines, intangible resources are relatively difficult for competitors to analyse and imitate" (Hitt, et al., 2005:79).

Because intangible resources are less visible and more difficult for competitors to understand, purchase, imitate, or substitute for, firms prefer to rely on them rather than on tangible resources as the foundation for their capabilities and core competencies. The more unobservable (that is, intangible) a resource is, the more sustainable will be the competitive advantage that it is based on (Hitt, et al., 2005).

In summary, to survive and earn above average returns in the new paradigm organisations will have to be innovative. The ability to innovate is a core competency. Additionally because *the ability to innovate has the potential to be valuable, rare, non-substitutable, and*

costly to imitate it has the potential to be a very valuable core competencies to any organisation in the new paradigm. This is because it is unobservable and therefore has the potential to be sustainable for longer than more observable competencies. (Hitt, et al., 2005).

### ***2.2.1. The changing paradigm and the need for innovation in the South African banking system***

Relating the theory presented above (see 2.2. - The changing paradigm and the need for innovation) to the South African banking system, the Governor of the Reserves Bank in his report on competition in the South African banking sector has suggested,

South Africa has established a well-developed banking system which compares favourably with those in many developed countries and which sets South Africa apart from many other emerging market countries. South African banks are well managed and utilise sophisticated risk-management systems and corporate structures in conducting the business of a bank. Following South Africa's re-entry into international financial markets in 1994, locally registered banks have increasingly been expanding their operations into other countries. At the same time international banks have been expanding their operations into South Africa. Besides adding further depth and sophistication to the South African market these foreign banks have begun to tap into the South African labour market. Consequently the arrival of these predominantly resourceful and experienced banks posed formidable challenges to local banks. In the quest to survive and excel, South African Banks had to devise innovative means to adapt to the new terrain" (Mboweni, 2004:1).

Mboweni (2004:1) suggests South African Banks have entered the new paradigm which he refers to as "new terrain". In this "new terrain" success depends on a *leadership's ability* to drive *innovation*, creativity and entrepreneurship (Kaplan, et al., 1996). Successful banks in South Africa will be those that are lead by leaders who understand that managerial frameworks and organisational measurements have changed, and as leaders they are able to manage the human intellect of today's employees and to convert it into useful products and

services through a process of innovation to ensure organisational survival in the new paradigm (Quinn, et al., 1993).

However, the world wide financial crisis of 2008 has raised questions as to how far the South African banking industry has progressed from the industrial to the information age paradigm. The South African banking industry has had very little exposure to the sub-prime crisis which afflicted the banks worldwide (Theobald, 2008). Sub-prime loans are the result of financial engineering in Europe and America, however the South African banking industry is heavily regulated by legislation such as the Foreign Exchange Control Act and the South African National Credit Act (Gordan and Keller, 2008). This legislation and the consequent relative lack of competition, has excluded the need for local banks to generate high levels of innovation in products and services, and consequently financially engineered innovative products such as mortgage backed securities (sub-prime), have not developed in South Africa. Theobald (2008:4) suggests, "South African banks have managed to avoid the mess of their overseas counterparts because they were under less pressure to innovate and chase returns than their overseas counterparts. South African banks did not have to dabble in complex instruments as there were easier ways for them to make profits. Because of this lack of pressure they remain unsophisticated".

However Charlton (1993:8) has warned that, "South Africa faces a stark choice if it wants to survive politically and economically. The key to the high road of economic growth and democracy lies in the way we develop and manage our human resources". Brand et al., (2000) suggests a global economy is emerging in South Africa, the age of information technology, globalisation and competitiveness is taking South Africa out of its previous isolation into a world which requires transformational leaders.

The changing managerial framework, driven by the need for innovation in the new paradigm, will now be reviewed. This will be followed by a review of the changing organisational framework. This chapter will end with a review of leadership theory focusing on the style of leadership needed to drive innovation in the new paradigm.

### **2.3. The changing managerial framework**

In discussing the shift in paradigm and its effect on competition and organisational structure Kaplan, et al., (1996:2) describe the old paradigm as being characterised by, “Industrial age competition in which companies were well served by hierarchical command and control systems based on a *strategy-structure-systems* framework”. In this new paradigm success depends on *leadership's ability to drive innovation*, creativity and entrepreneurship (Kaplan, et al., 1996). To do so the old strategy-structure-systems management framework needs to be replaced with a more appropriate *people-process-purpose* framework (Bartlett, et al., 1994). These two management frameworks will now be discussed in more depth.

#### ***2.3.1. Strategy-structure-systems framework***

When all the organization needed were workers to run machines eight hours a day, a hierarchical command and control system worked, but the organization received no benefit from the workers minds. For decades this philosophy served companies well. It supported successive waves of growth as companies integrated horizontally in the 1950's, diversified in the 1960's, and expanded into global markets in the 1970's (Bartlett, et al., 1994).

However over the last decade, technological, competitive, and market changes have eroded its effectiveness. These hierarchical models see leaders as the corporation's chief strategist, assuming full control of setting the companies objectives and determining its priorities. According to Bartlett, et al., (1994:80), these systems were “based on a *strategy-structure-systems framework*, the object of which was to create a management system that could minimise the idiosyncrasies of human behaviour”.

Bartlett, et al., (1994) explain that in the benevolent, high growth environment that followed World War 2, strategy, structure, and systems offered the much needed discipline, focus, and control of the day. They (Bartlett, et al., 1994) suggest that today's economic environment is different. Overcapacity and intense competition are the norm in most global businesses. The

lines separating the businesses have blurred as the technologies and markets converge, creating new growth opportunities where traditional businesses intersect.

Bartlett, et al., (1994:88) suggest the strategy-structure-systems framework was, “a divisional model which fragmented company’s resources, it created vertical communication channels that insulated business units and prevented them from sharing their strengths with one another”. Consequently the whole of the corporation was often less than the sum of its parts. Furthermore, the divisional structure kept the responsibilities and prerogatives of entrepreneurship with top managers. It was their job to allocate resources that defined strategy. Those on the front lines were implementers. Additionally they (Bartlett, et al., 1994) suggest the divisional structure proved ideal for refining the management of ongoing operations, but it had little built in capability for renewal and *innovation*, and for discarding old ideas and assumptions as they became obsolete. The new paradigm calls for a leadership framework based on people-process-purpose.

### ***2.3.2. People-process-purpose framework***

Charlton (1993) suggests these hierarchical command and control system of the strategy-structure-systems framework are contrary to the basic human drive to learn, to find work meaningful, and express creativity, responsibility and competence, and he (Charlton, 1993:22) explains that in the new paradigm,

those organisations that ignore the demand for quality of life and personal growth do so at their peril. The hierarchical organisation is badly positioned to cope with these changes and is threatened with extinction, as it is unable to cope with the learning race, which is essential for corporate survival. The learning race is in turn dependant on the human race – a race to empower people and organisations. Learning and empowerment requires a fundamental shift of mind – from seeing people as incompetent and operating from win-lose orientation to seeing people as intermittently capable and therefore sharing power.

According to Bartlett, et al., (1994) in the new paradigm, the scarcest resource has become the *knowledge and expertise* of the people on the frontline. Competition and globalisation has

created an environment where strategic information cannot be relayed to the top without becoming diluted, distorted and delayed. This new paradigm calls for a more appropriate framework built on people-process-purpose framework,

a framework where less emphasis is placed on following a clear strategic plan than on building a rich, engaging corporate purpose. Organisations need to focus less on formal structural design and more on effective management processes. They should be less concerned with controlling employee's behaviour than with developing their capabilities and broadening their perspective (Bartlett, et al., 1994: 80).

Bartlett, et al., (1997) explain that this shift of vital resources from capital to knowledge means that the whole authoritarian hierarchy framework based on strategy-structure-systems has had to be dismantled and the roles and tasks of each management level radically redefined. This is because the organisations vital knowledge, expertise, and strategic information exist at the operating levels rather than at the top,

far from wanting to subjugate individual differences by requiring conformity to a standardised organisational model, companies are recognising that in a knowledge-based environment, diversity of employee's perspectives, experience, and capabilities can be important organisational assets. Instead of forcing the individual to conform to the company's policies and practices, the overall objective should be to capture and leverage the knowledge and expertise that each organisational member brings to the company. To do so they need to adopt a management framework that is based on the *people-process-purpose framework* (Bartlett, et al., 1997:114).

This people-process-purpose framework, in referring to "people", recognises that, "The diversity of human skills and the unpredictability of the human spirit make possible *initiative, creativity and entrepreneurship*. The most basic task of corporate leaders is to recapture those valuable human attributes by individualising the corporation" (Bartlett, et al., 1995b:142).

With regards to "purpose" Bartlett, et al., (1994) suggest the framework sees a fundamental philosophical difference that separates senior executives who see themselves as designers of corporate strategy, from those who define their role more broadly as shaping institutional purpose. "Purpose is the embodiment of an organisations recognition that its relationships

with its diverse stakeholders are interdependent. In short purpose is the statement of a company's moral response to its broadly defined responsibilities, not an amoral plan for exploiting commercial opportunity" (Bartlett, et al., 1994:88).

Finally with regards to "processes" the framework is referring to three processes, namely the entrepreneurial process, the competence building process and the renewal process. Bartlett et al., (1995b) in elaborating on these processes suggest that the entrepreneurial process produces *creativity and entrepreneurship* in frontline managers. The competence building process builds competence across the company's internal organisational boundaries. And the renewal process promotes continuous *innovation* and renewal of the strategies and ideas that drive the business.

The first organisational change necessitated by the need for innovation in the new paradigm, namely the changing managerial framework has been discussed, the second organisational change, organisational measurement, will now be discussed.

#### **2.4. Organisational measurement in the new paradigm**

According to Bartlett, et al., (1994) in order to drive this process of innovation, creativity and entrepreneurship in a people-process-purpose framework, organisations will have to change their strategy-structure-systems organisational success measurements based on summary financial measurement such as return on capital (ROC), to a more appropriate financial measure. One such appropriate measure for organisations in the new paradigm is the balanced scorecard which will now be discussed.

During the industrial age, from 1850 to about 1975, when the strategy-structure-systems framework prevailed, companies succeeded by how well they could capture the benefits from economies of scale and scope. A summary financial measure such as return on capital employed (ROCE) could both direct a company's internal capital to its most productive use and monitor the efficiency by which operating divisions used financial and physical capital to create value for share holders (Kaplan, et al., 1996).

However this type of financial reporting process remains anchored to an accounting model developed century's ago for an environment of arms length transactions between independent entities. As explained by Kaplan, et al., (1996:7)

this venerable financial accounting model is still being used by information age companies as they attempt to build internal assets and capabilities, and to forge links and alliances with external parties. Ideally this financial accounting model should have been expanded to incorporate the value of a company's intangible and intellectual assets, such as high quality products and services, motivated and skilled employees, responsive and predictable internal processes, and satisfied and loyal customers.

Such a valuation of intangible assets and company capabilities would be especially helpful in the people-process-purpose framework since, as seen above, for information age companies, these assets are more critical to success than traditional physical and tangible assets.

It has been shown above (see 2.2. – The changing paradigm and the need for innovation) that the emergence of the information era in the last decades of the twentieth century has made obsolete many of the fundamental assumptions of industrial age competition. Companies can no longer gain sustainable competitive advantage by merely deploying new technologies into physical assets rapidly, and by excellent management of financial assets and liabilities. “In the information age environment both manufacturing and service organizations requires new capabilities for competitive success. The ability of a company to mobilize and exploit its intangible or invisible assets has become far more decisive than investing and managing physical, tangible assets” (Kaplan, et al., 1996:2).

Kaplan, et al., (1996) suggest intangible assets enable an organization to:

- develop customer relationships that retain the loyalty of existing customers and enable new customer segments and market areas to be served effectively and efficiently
- produce customized high quality products and services at low cost and with short lead times
- *Introduce innovative products and services desired by targeted customer segments*
- mobilise employee skills and motivation for continuous improvements in

- process capabilities, quality and response times
- deploy information technology, data bases and systems.

Consequently Kaplan, et al., (1996:2) argue that, “the need to build long-range competitive capabilities using intangible assets, and the immovable object of the historical-cost financial accounting model has created a new synthesis known as The Balanced Scorecard”.

The Balanced Scorecard retains traditional financial measures. However Kaplan, et al., (1996:25) feel that,

financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and *innovation*.

The Balanced Scorecard complements financial measures of past performance with measures of the drivers of future performance. The objectives and measures of the scorecard are derived from an organizations vision and strategy. The objectives and measures view organisational performance from four perspectives: financial, customer, internal business processes, and learning and growth (Kaplan, et al., 1996).

The *financial perspective* of the balanced scorecard was retained because Kaplan, et al., (1996:25) felt, “financial measures are valuable in summarizing the readily measurable economic consequences of actions already taken”. Financial performance measures indicate whether a company’s strategy, implementation, and execution are contributing to bottom line improvement.

According to Kaplan, et al., (1996) in the *customer perspective* companies identify the customer and market segments in which they have chosen to compete. These segments represent the source that will deliver the revenue component of the company’s *financial objectives*. The *learning and growth perspective* identifies the infrastructure that the organization must build to create long term growth and improvement. Businesses are unlikely to be able to meet their long term targets for customer and internal processes using

today's technologies and capabilities. Finally, the *internal business process* perspective identifies the critical internal processes in which the organization must excel in order to deliver the value proposition that will attract and retain customers in targeted market segments and satisfy shareholder expectations of excellent financial returns.

It is in the internal business process that the need for *innovation* is stressed for success in the information paradigm; consequently this process will be examined a little closer. The internal business process perspective reveals two fundamental differences between the traditional and the business scorecard approach to performance measurement. Traditional approaches attempt to monitor and improve existing business processes. They may go beyond financial measures of performance by incorporating quality and time-based metrics. But they still focus on improvement of existing processes. The scorecard approach however will usually identify entirely new processes at which the organization must excel to meet customer and financial objectives. For example a company may realize that it must develop a process to anticipate customer needs, or one to deliver new services that target customer value. The second departure of the Balanced Scorecard approach is to incorporate *innovation processes* into the internal-business-process perspective. As Kaplan, et al., (1996:27) explain,

traditional performance measurement systems focus on the process of delivering today's products and services to today's customers. They attempt to control and improve existing operations that represent the short wave of value creation. This short wave of value creation begins with the receipt of an order from an existing customer for an existing product (or service) and ends with the delivery of the product to the customer. The organization creates value from producing, delivering, and servicing this product and the customer at a cost below the price it receives. But the drivers of long term financial success may require an organization to create entirely new products and services that will meet the emerging needs of current and future customers.

The *innovation process*, the long wave of value creation, is for many companies a more powerful driver of future financial performance than the short term operating cycle. For many companies, their ability to manage successfully a multi-year product development process or to develop a capability to reach entirely new categories of customers may be more critical for future economic performance than managing existing operations efficiently, consistently, and responsively. Ensuring that innovation is driven and measured is the

challenge of the Balanced Scorecard (Kaplan, et al., 1996).

Relating this theory to First National Bank, it will be shown below (see 3.3.1 - The vision of First National Bank and the role of innovation) that innovation is being driven, measured and rewarded in the bank. It is driven by means of an internal competition, measured at business unit level, and rewarded with financial incentives. However it does not form part of an integrated balanced scorecard approach. The implications of this are discussed below (see 7.3. - Implications of the research).

The first two of the three key areas where the need for innovation in the new paradigm has necessitated a change, namely organisational frameworks and organisational measurements have been discussed. The next section will discuss the third key area within which the need for innovation is driving change, namely organisational leadership.

## **2.5. Leadership in the new paradigm**

As organisational paradigms have changed from strategy-structure-systems to people-process-purpose, so too has the leadership needed to changed in order to meet the needs of these changing paradigms. Tichy and Devanna (1986, in Ristow, 1997:40) show how transactional leaders were, "suited to the more stable era of expanding markets and little competition that characterised the business environment before 1980". This is in contrast to the new paradigm which Kotter (1990) and Maree (1997) suggest characterises the contemporary business environment, which requires a full range framework which includes elements of both transactional and transformational leadership.

This section will therefore present a review of the literature on the nature and definition of leadership. A comprehensive overview is given in order for the reader to be able to follow the changes in leadership theory that reflected the changes in the organisational paradigm. Included in the review will be the traditional leadership theories that dominated in the old industrial paradigm to the full range leadership theories of the new industrial paradigm (Bartlett, et al., 1994). Full range leadership comprises elements of transactional and transformational theories (Brand, Heyl and Maritz, 2000). Traditional leadership theories are discussed in terms of the trait theory, the behavioural approaches and the

situational/contingency approaches. The new leadership theories namely transactional and transformational leadership are then discussed after which the integrated approach of full range leadership development theory is reviewed.

### ***2.5.1. Definition of leadership***

Mullins (1999) states that there are numerous ways of looking at leadership and many interpretations of its meanings. Similarly Bass (1990, in Yukl, 1998) has suggested that in attempting to define leadership, the endless literature on leadership has created an ambiguity of meaning and an array of imprecise descriptions.

A good starting point in defining leadership is to differentiate between leadership and management. Gerber, Nel and Van Dyk (1996) identify the main difference between leadership and management is that a manager is a person who exercises the daily management functions of planning, leading, organising and controlling as a result of a formal position of authority held in an organisation. A leader, on the other hand, is any person capable of persuading other people (followers) to strive for certain goals (formal or informal), irrespective of position. As Manning (1997:200) states, "Managers are seen as those individuals who are capable of doing things right, while leaders are those who do the right things".

Kotter (1988, in Ristow, 1997:20) clearly demonstrates this distinction when he says, "during peacetime an army can perform its function with good administration and management but during war, although still needing competent management, it cannot function without good leadership". No one has yet discovered how to administer or manage people into battle. In the same way as the military during wartime, organisations throughout the world are searching for leaders who can help them deal with the economic warfare created by the turbulent hypercompetitive environment organisations find themselves in, in the new paradigm.

Ristow (1997) suggests that an individual can be both a manager and a leader, however it is possible to be a manager and not a leader and vice versa. The implications of this argument

are that organisations should strive to place genuine leaders in positions of management, those who are capable of doing both 'things right' and the 'right things'.

Bennis and Nanus (1985) suggest that generally leaders are people who are able to turn their beliefs and visions into reality, through the control and influence they exercise over other people. Similarly, Kotter's (1995:5) definition of leadership also stresses the importance of influence in leadership when he says leadership is, "the process of moving a group (or groups) in some direction through mostly non-coercive means". The role of influence also comes out strongly in the writings of Hellriegel, et al., (2004) who suggest that leadership involves influencing others to act towards the attainment of a goal and it is based on interpersonal relationships, not administrative activities and directives. They (Hellriegel, et al., 2004) suggest people throughout an organisation can exercise leadership, and that the best organisations have effective leaders at all levels.

Draft (1999) captures all of these concepts best with a definition of leadership that will be accepted for the purposes of this study. He (Draft, 1999:20) suggests, "*leadership is an influencing relationship amongst leaders and followers who intend real changes that reflect their shared purpose*". Thus leadership involves people in a relationship, influence, change, a shared purpose of achieving a desired future, and taking personal responsibility for making things happen.

Having provided a definition of leadership, before continuing, it is necessary to examine whether leadership in fact matters at all.

### ***2.5.2. Does leadership matter?***

At one time the question of whether leadership mattered was hotly debated (Lombardo and McCall, 1978; Meindl, Ehrlich and Dukerich, 1985; Pfeiffer, 1977). Hambrick (1989) cogently remarked on whether strategic leaders matter, "some do, some don't, and a lot more could". Thus consistent with Hunt (1991) the real question is not whether leadership matters, but rather under what conditions, when, how, and on what criteria (Boal and Hooijberg, 2000).

Pfeiffer (1997) in questioning the impact of leadership on organisational performance suggested that leadership is a sense-making heuristic to account for organisational performance and is important primarily for its sense making role in organisations. Meindl, et al., (1987) suggest that the effects of leadership are “in the eyes of the beholder”. Followers attribute many effects which actually are due to historical, economic, or social forces, to leaders.

In elaborating on this school of thought Ristow (1997) suggests that in order for individuals to understand situations, they may attribute the success or failure of a situation that is actually influenced by other factors, to the ability of the leader. Leaders are only able to react to a situation and facilitate the adjustment of the organisation to the situation it finds itself in, and only has limited control over the environment. However Ristow (1997) goes on to suggest that despite the fact that situational factors do play a role in organisational performance, one cannot simply sit back and be dictated to by the situation. Implicit in the definition of leadership provided earlier is the fact that it is a process of shaping behaviour and is therefore a key critical success factor in an organisation because it can be controlled to some extent. Similarly Bass (1990a) suggests that leadership behaviour should be able to shape the context, to some extent.

Current conventional wisdom suggests that in aggregate, leadership does indeed matter (Cannella and Monroe, 1997; Day and Lord, 1988). According to Manning (1997:9, in Ristow, 1997) Robert Goizueta, a past Chairman of the Coca Cola Company, summed up the importance of leadership despite the environment when he said, “... we obviously have little control over global economic trends, currency fluctuations and devaluations, natural disasters, political upheavals, social unrest, bad weather, or schizophrenic stock markets. We do however have complete control over our own behaviour”. Additionally Napoleon expressed his opinion about the importance of leadership in his famous quip that he would, “rather have an army of rabbits led by a lion, than an army of lions led by a rabbit” (Bass, 1990a:6).

Cronje, Neuland, Hugo and Van Reenen (1987:113, in Ristow, 1997) provide examples in the South African context of where the success or demise of certain organisations can be ascribed to a specific leader. Examples of successful leadership cited include Sol Kerzner at Sun International, Conrad Strauss at Barlow Rand and Anton Rupert at Rembrandt. Globally,

reference is often made to the leadership exploits of Richard Branson of the Virgin Group, Bill Gates of Microsoft, Rupert Murdoch of the News Corporation.

Conversely, poor leadership is often cited as one of the key problems in floundering organisations. Cogill (in Gerber, Nel and Van Dyk, 1996) demonstrated this concept through an investigation of successful and unsuccessful governments, which further strengthened the argument for the importance of leadership. More recently the sub-prime induced meltdown of the financial world has been attributed to the lack of leadership (Theobald, 2008).

Explaining the importance of leadership, Bartlett, et al., (1994:80) suggest, "In the new paradigm success depends on the intellectual capital of all employees, and leaders have to understand that buildings and machines can be owned, but people cannot". This is consistent with Quinn, et al., (1993) who hold similar views and suggest that in the global economy, the success of a corporation lies more in its intellectual and systems capabilities than in its physical assets. They (Quinn, et al., 1993) conclude that the capacity to manage human intellect and to convert it into useful products and services is fast becoming the critical executive skill of the age.

Charlton (1993:8) concurs with these views when he says, "the unique legacy of the leader is the creation of new institutions that survive over time, through constant organisational growth and renewal. Survival is dependant on the quality of an organisations leaders and their ability to optimise human resources". This statement ties in with the previous discussion on the changing organisational paradigm and the importance of innovation, and the leadership needed to drive this innovation, to ensure sustainable above average returns in the new paradigm.

Various authors (Peters, 1987, Drucker, 1989, Handy, 1990) have talked about the need for and importance of change in leadership style to meet the challenges of the new reality. Draft (1999:10) emphasises this when he says, "knowledge and information, not buildings and machines have become the primary form of capital in the new reality".

The major challenge facing leaders today is the changing world that needs a new paradigm of leadership. "The new reality involves a shift from stability to change, from control to

empowerment, from competition to collaboration, from focusing on things to building relationships, from uniformity to diversity” (Draft, 1999:25).

The discussion above clearly shows that leadership in the new paradigm not only matters, but is key to institutional survival. Various frameworks have been developed to conceptualise the concept of leadership. These frameworks have developed into three basic theories of leadership that are known today. These three theories are discussed below.

### ***2.5.3. Leadership theories***

There are various theories and models of leadership, which attempt to explain the factors involved in the emergence of leadership, the nature of leadership, or the consequences of leadership (Bass, 1990).

#### ***2.5.3.1. Introduction***

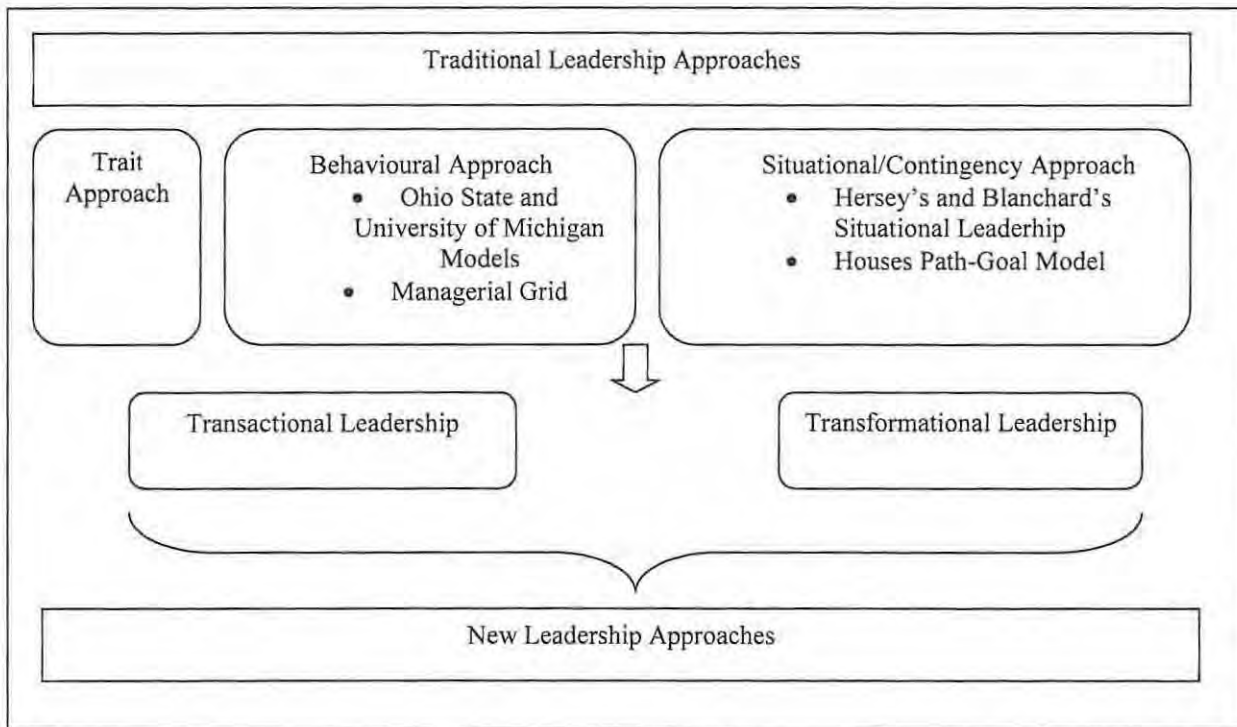
The theories attempt to identify various leadership styles, which is the general manner in which leadership is practiced (Barling, Fullagar and Bluen, 1983). The models attempt to simulate reality and thereby show the interrelationship of the various factors that are conceived to be involved in the leadership process which takes place between leaders and followers (Ristow, 1997).

A survey of leadership literature such as Robbins (1996), Ivancevich and Matteson (1993) and Tosi, Rizzo and Carroll (1994) indicates that there are three broad, but widely accepted approaches to leadership as well as a move to new approaches. Hellriegel, et al., (2004) in describing these approaches suggest that fifty years ago the traits models of leadership were the most popular. Gradually as evidence accumulated, the traits models were replaced, first by behavioural models, and then by contingency models. Currently, the transformational model has many supporters, reflecting the efforts of many leaders to transform outdated forms of organisations into more competitive ones.

Figure 1 below represents an attempt to categorise the various evolutionary approaches to leadership that will now be discussed. These can be categorised as those that are traditional in

nature (trait, behavioural and contingency approaches) and those that centre on new approaches to leadership, being transactional and transformational leadership.

**Figure 1 - Evolution of leadership approaches**



(Hayward, 2005)

### ***2.5.3.2. Traits approach***

The earliest research conducted on the concept of leadership focused on identifying the unique qualities or traits that appeared common to effective leaders - the idea that a leader was born and not made (Swanepoel, Erasmus, Van Wyk and Schenk, 2000). The leadership trait model was established in the early 1900s, and was the first attempt at understanding the nature of leadership.

The traits model is based on the assumption that certain physical, social, and personal characteristics are inherent in leaders (Bass, 1990b). According to this view the presence or absence of these characteristics distinguishes leaders from non leaders. Some of the key traits are physical (young to middle aged, energetic, striking appearance, tall, slender), social background (educated, socially prominent, upwardly mobile), and personality (adaptable, aggressive, emotionally stable, dominant, self-confident) (Hellriegel, et al., 2004).

If leaders were naturally born, as suggested by the traits model, then selection would be the key to effective leadership within an organisation rather than other factors such as training and development (Robbins, 1996). However research has not proved that traits consistently separate potential leaders from non-leaders (Fiedler, 1996), and research started to move away from assessing individuals in terms of traits, and towards assessing how leaders' behaviour contributes to the success or failure of leadership (Draft, 1999).

### ***2.5.3.3. Behavioural models***

After discovering that leaders don't have a uniform set of personal traits, researchers turned their attention to isolating behaviours that are characteristic of effective leaders. The behavioural approach to leadership suggests that a leaders' behaviour, not the leaders' personal characteristics, influence followers (Shriberg, Lloyd, Scriberg and Williams, 1997). Behavioural models of leadership focus on differences in the actions of effective and ineffective leaders. Unlike traits, behaviours can be observed and learned. The importance of this is that because leadership behaviours can be learned, individuals can be trained to lead more effectively (Hellriegel, et al., 2004).

The main behavioural models include Theory X and Theory Y, the Ohio State University and University of Michigan Models, the Managerial Grid models, and more recently the Empowerment model, and the Leader-Member Exchange model.

#### ***2.5.3.3.1 Theory X and theory Y***

McGregor (1960) suggested that assumptions and beliefs about individuals and how to motivate them often influence a leader's behaviour. Theory X and Theory Y are two contrasting sets of assumptions and beliefs that leaders hold about their subordinates (McGregor, 1960). Theory X suggests that managers who believe that people are motivated mainly by money, are lazy and uncooperative, and have poor work habits, will treat them accordingly. Such managers tend to use a directive leadership style. In contrast, theory Y suggests leaders who believe that their people work hard, cooperate, and have positive

attitudes will treat them accordingly and use a more participative leadership style (McGregor, 1960).

#### *2.5.3.3.2. Ohio State University and University of Michigan models*

Researchers at Ohio State University took another approach to studying leadership styles. They asked employees to describe the behaviours of their supervisors. Based on the responses, the researchers identified two leadership styles namely considerate and initiating-structure (Hellriegel, et al., 2004). A considerate leadership style is characterised by concern for employee's well-being, status, and comfort. The initiating-structure leadership style is characterised by active planning, organising, controlling, and co-ordinating of subordinate's activities. Hellriegel, et al., (2004) suggest that used as the only approach, a forceful initiating-structure leadership style can lead to employee's grievances, turnover, and lower satisfaction in employees. However research suggests that effective leaders should exhibit both considerate and initiating-structure behaviours (Schriesheim and Bird, 1979).

Researchers at the University of Michigan undertook similar studies of leadership behaviours. They classified leader's behaviours as either production-centred or employee-centred (Hellriegel, et al., 2004). Production-centred leadership style sets standards, organises and pays close attention to employees work, keep production schedules, and stress results. Those who have an employee-centred leadership style encourage employees to participate in decisions and make sure that they are satisfied with their work (Hellriegel, et al., 2004). Researchers found that employee-centred leaders were more likely to be in charge of high-performance teams than were production-centred managers (Likert, 1979).

#### *2.5.3.3.3. Managerial grid models*

Developed by Robert Blake and Jane Mouton, the managerial grid model identifies five leadership styles that combine different proportions of concern for production (similar to the initiating-structure and the production-centred styles) and concern for people (similar to the consideration and employee-centred styles) (Blake and Mouton, 1964). These styles can be plotted on a grid as reflected below (see Figure 2 - Managerial grid model).



amongst workers. By introducing a common stake in the organisations purpose, the leader builds a relationship of trust and respect.

The behavioural models described so far were developed prior to the 1990's. More recently a new behavioural model known as the "empowerment model" has been developed. This model reflects a leader sharing his influence and control with followers. In so doing the leader involves employees in deciding how to achieve the organisations goals, thus giving them a sense of meaning, competence, self-determination, and impact. Empowerment leaders recognise that their job isn't to create follower who are dependant on them, but to help people learn how to lead themselves (Hellriegel, et al., 2004). Peter Cox, the Chief Executive of Sasol (another top forty South African company), captures this thought when he suggested, "Good leaders have vision, but also the ability to enthuse those around them" Barron (2001, in Hellriegel, et al., 2004).

#### *2.5.3.3.4 Leader-member exchange model*

The behavioural models described so far are based on the assumption that a leader behaves the same way towards all the followers in a group. However researchers have theorised that leaders use different styles with different followers Graen and Scandura (1987, in Hellriegel, et al., 2004). Now known as the leader-member-exchange (LMX) model, this model states that a leader forms a unique one-on-one relationship with each follower. The quality of this relationship can vary from low to high. In a low quality relationship the basis for exchange between supervisor and subordinate is their economic contract. In a high quality relationship, the supervisor and subordinate develop a more positive relationship, in which each trusts the other. Subordinates in high quality relationships perform better on required job tasks, have better attendance records, and in general are viewed as good organisational citizens who are willing to exceed the minimum required of them (Gerstner and Day, 1997).

#### *2.5.3.3.5. Summary of behavioural models*

Behavioural models have added greatly to the understanding of leadership. The focus has shifted from leader's traits towards what leaders do (behaviours). The main criticism of these

models is their failure to take situational factors into account (Ivancevich and Matteson, 1993). Leadership behaviours that are appropriate in one situation aren't necessarily appropriate in another. Because the behavioural models failed to uncover leadership styles that were consistently appropriate to all situations, other models of leadership were devised. The next step in the evolution of knowledge about leadership was the creation of the contingency or situational models.

#### ***2.5.3.4. Contingency Models***

##### *2.5.3.4.1. Introduction to contingency models*

According to contingency models of leadership the situation determines the best style to use (Yukl, 1998). Situational factors include; maturity of followers, traits, task structure, types and use of power, leader-follower relations, decision making requirements, and employees needs (Hellriegel, et al., 2004). No single contingency model encompasses all these factors. The four most influential contingency models of leadership are Fiedler's contingency model, Hersey and Blanchard's situational model, the House's path-goal model, and the leader-participation model (Hellriegel, et al., 2004). These models are discussed below.

##### *2.5.3.4.2. Fiedler's contingency model*

Fiedler's contingency model suggests that successful leadership depends on matching a leader's style to a situations demands. In other words, each leadership style is most effective when it is used in the right situation (Fiedler, 1967). According to Fiedler's model, the manager has to understand his or her own leadership style, diagnose the particular situation, and then match style and situation (Hellriegel, et al., 2004).

The models greatest contribution may be its redirection of research in the field, rather than the provision of any concrete answers. It has caused researchers to examine the situation more closely before attempting to find the leadership styles most appropriate to them. Fiedler (1967) pointed out that a leader cannot be labelled good or poor, rather the leader may

perform well in one situation, but not in others. Organisations can gain better leadership by making the situation more favourable or shifting the leader to a situation that better matches the individual's style (Potter and Fiedler, 1993).

#### *2.5.3.4.3. Hersey and Blanchard's situational leadership model*

Hersey and Blanchard's Situational leadership model suggests that the levels of directive (similar to initiating-structure and production-centred) and supportive (similar to considerate and employee-centred) leader behaviours be based on the level of readiness of the followers (Hersey and Blanchard, 1993). In contrast to Fiedler who believes that a leader's style is relatively rigid, Hersey and Blanchard emphasise a leader's flexibility to adapt to changing situations (Hellriegel, et al., 2004). The idea that leaders should be flexible with respect to the leadership styles they use is appealing. However the leader must constantly monitor the maturity levels of followers in order to determine the combination of directive and supportive behaviour that is most appropriate. An inexperienced employee may perform as well as an experienced employee if properly directed and closely supervised. If the leader's style is appropriate, it should also help followers gain more experience and become more competent. Thus as a leader helps followers evolve, his or her leadership style also needs to evolve (Hellriegel, et al., 2004).

#### *2.5.3.4.4. House's path-goal model*

Another contingency model was developed by Robert House. House's path-goal model indicates that effective leaders clearly specify the tasks, reduce barriers to task achievement, and increase opportunities for task-related satisfaction thereby clarifying the path, or means, by which employees can attain job satisfaction and improve performance (Hellriegel, et al., 2004). The leaders function is to motivate subordinates and help them reach their highly valued, job related objectives. The specific style of leader behaviour exhibited should be determined by two contingency variables, namely employee characteristics and task characteristics (Hellriegel, et al., 2004).

Employees performing routine and simple tasks have reported greater task satisfaction when leaders provide supportive rather than directive leadership (Hellriegel, et al., 2004). Employees performing non-routine and complex tasks have reported higher productivity when leaders provide directive leadership, but they haven't necessarily reported greater job satisfaction (Hellriegel, et al., 2004).

Like Fiedler's model and Hersey and Blanchard model, House's model indicates that participative leadership styles aren't always effective. A participatory style is needed most when employee's acceptance of a decision is important, when the leader doesn't have some of the information needed to make a decision, and when a problem is unstructured. Directive or task orientated leadership seems to work better when employees don't share the managers and/or organisations goals, when the production schedule is tight, and when employees are receptive to top-down decision making (Wofford and Liska, 1993).

#### *2.5.3.4.5. Leader-participation model*

One of the more recent contributions to the contingency approach is the leader-participation model proposed by Victor Vroom and Philip Yetton and revised by Arthur Jago. The leader-participation model provides a set of rules to determine the amount and form of participative decision making that should be encouraged in different situations. Recognising that a task can be either structured or unstructured, the researchers suggest that the leader's behaviours be adjusted to the task structure. This model provides a sequence of rules for a leader to follow in determining the form and amount of employee's participation in decision making (Vroom and Jago, 1988).

The model also provides a guide for determining the type and degree of subordinate participation in decision making. Leaders use participation when the quality of the decision is important, when subordinates should accept the decision and they are unlikely to do so unless they are allowed to have some say in it, and when subordinates can be trusted to strive for organisational rather than individual goals (Field and House, 1990). The model also stresses that the situation, not the leader, should receive attention. Along with Heresy and Blanchard's model and House's model, the leader participation model states that a leader can adopt different styles of leadership to meet the demands of different situations. However not

all leaders can do what is suggested by the model. Although they may know how they should behave, they may lack the ability to tailor their behaviour to meet the specific situation (Hellriegel, et al., 2004).

#### *2.5.3.4.6. Summary of contingency models*

The contingency models demonstrate the importance to a leader of situational factors and followers characteristics. Successful leaders are adept at recognising the requirements of the situation and the needs of the followers and then adjusting their own leadership style (or the situation) accordingly. Contingency models imply that leaders should be able to adapt their behaviour to the different conditions they may face.

Hollander (1986) points out that due to the nature of the contingency approaches, a major limitation is that it suggests that leadership is contingent on a condition of traits and situations involving an exchange or a transaction between leaders and followers. In other words, in its simplest form, this basic approach assumes that followers respond to leaders in terms of rewards for desirable behaviour or discipline for undesirable behaviour. Likewise, Bass (1990a) points out that due to the transactional nature of, not only the contingency approach, but also the trait and behavioural approaches, they focused mainly on human needs, thus failing to take higher order needs into account. Robbins (1996) suggests that basic motivational theories like Maslow's "Hierarchy of Needs", and McClelland's "Theory of Needs" demonstrate that individuals are motivated to perform by more than just tangible rewards. Likewise, Bass (1990a) notes that leadership research over the years has proved that loyalty is more powerful than tangible inducements. Additionally he (Bass, 1990a) also felt that these basic approaches also lacked rigour, generality and the opportunity to employ standard measurements. He suggested that these approaches had not been rigidly tested in practice and that they were too specific either in defining leadership in terms of traits, behaviours or situations.

The new theories of leadership evolved in reaction to these limitations, and the fact that the traditional models had become increasingly sophisticated and difficult to implement (Carlton, 1993).

### *2.5.3.5. A move towards new leadership approaches*

In the old paradigm, “leadership theory has, inter alia, centred on firstly autocratic versus democratic leadership approaches, and secondly on directive versus participative management” (Brand, et al., 2000:69). As organisations entered the new paradigm a new style of leadership, one that is less bureaucratic and more democratic is needed in order to ensure the survival of organisations (Johnson, 1995). Consequently a new style of leadership has emerged in order to ensure the survival of organisations and to overcome the limitations of the trait, behavioural and contingency theories of the past (Hayward 2005).

In the new information age paradigm increasing attention has been paid to the transformational styles of leadership that promote the development of individuals, innovation, teams, and organisations. Brand, et al., (2000) suggest that related to this change of emphasis has been the growing awareness of a so called ‘charismatic’ leadership style as a ‘strong’ force of leadership. They (Brand, et al., 2000:69) suggest that,

a higher order change in performance and satisfaction also became eminent as leaders came to realise that there is more to a group than merely the transactional agreement of exchange and reward between leader and follower. The shift from quantity to quality also started to emerge with a concomitant change in attitudes, motivational levels and creativity. This change in focus, from being purely task driven to developing individuals, can be referred to as an inherent and definite change in leadership approach.

In the past few years, many top managers around the world have realised that they will have to make significant changes in the way things are done if their organisations are to survive (Hellriegel, et al., 2004). As a result many new leadership studies have taken place in recent years. Renowned leadership theorists such as Burns (1997), Bass (1990a), Stodgill (1974), and Avolio, Waldman and Yammarino (1991), to name a few, have completed extensive leadership research. As a result a new theory, termed transformational leadership, also known as full range leadership has been identified as the most appropriate style of leadership needed by top managers for organisations in the new paradigm (Bass, et al., 1997).

This new leadership approach suggests that there are two views of leadership namely, transactional and transformational leadership (Bass, 1990a). It is important to note however that transformational leadership is not an alternative to transactional leadership, it is a necessary supplement to it (Brand et al., 2000). When these two leadership styles are practiced together they form a leadership style known as full range leadership. Full Range Leadership is no new gimmick, Winston Churchill practiced it, as did Martin Luther King, Charles de Gaulle, John F Kennedy, Lee Iacocca, Andrew Carnegie, Dwight Eisenhower, Mahatama Gandhi, and closer to home, Nelson Mandela. Additionally, Bass and Avolio, who developed this model of leadership have demonstrated through research that the principals of transformational leadership can be learned (Bass, et al., 1997).

The concepts of transactional and transformational leadership will be explored below. The driving forces behind the move from the transactional leadership style, to the transformational leadership style is also discussed. This will be followed by a discussion on the concept of full range leadership.

#### *2.5.3.5.1. Transactional leadership*

*This is a leadership style that was suitable and effective in the industrial paradigm.* Bass, et al., (1997) describe the transactional leadership style as being based on traditional bureaucratic authority and legitimacy. They (Bass, et al., 1997) suggest transactional leaders are able to entice subordinates to perform and thereby achieve desired outcomes by promising them rewards and benefits for the accomplishment of tasks. A typical transactional leader normally follows a personal agenda, with no real concern for the welfare of his followers, and others are regarded as instrumental or detrimental to the accomplishment of the transactional leader's personal goals (Brand, et al., 2000). An archetypal transactional leader enters into agreements purely to satisfy his own personal goals or agenda (Brand, et al., 2000). Transactional leadership is a style that is averse to risk and, of importance to this dissertation, *low on innovation* (Bass, et al., 1997).

The transactional leader is unable to develop others through delegation. According to Kuhnert (1994, in Brand, et al., 2000:70), "delegation is strictly an exchange agreement, as responsibility is given to others in exchange for the fulfilment of an actual or perceived

agreement that emphasises control, accountability and clear lines of authority”. Brand, et al (2000) explain how this can soon lead to resentment if the individual no longer sees this exchange as beneficial. Resentment usually occurs because the individual starts to feel as if he is being dumped with certain tasks. One reason for feeling being dumped on is due to leaders often choosing to delegate those tasks which they find undesirable onto others and delegation is therefore not viewed as an opportunity to develop followers to a higher potential level, but as a transfer of undesirable tasks. The true reason for a leader’s inability to delegate challenging tasks, is an inherent mistrust of the ability of subordinates to fulfil certain task (Brand, et al., 2000). “Transference of unfavourable tasks, rather than the delegation of challenging tasks, will ultimately result in lack of respect for the leader” (Brand, et al., 2000:70).

#### *2.5.3.5.2. Components of transactional leadership*

There are four components of transactional leadership namely; contingent reward, active management-by-exception (MBE-A), passive management-by-exception (MBE-P), and laissez-fair (Brand et al., 2000). These components are discussed below.

*Contingent reward* is a reasonably effective or constructive model of leadership, as the leader assigns projects by promising or providing actual rewards, in exchange for the satisfactory execution of an assignment (Brand, et al., 2000). Contingent reward has been found to be reasonably effective, although not as much as the transformational leadership (see 2.5.3.5.4, - Transformational leadership), in motivating others to achieve higher levels of development and performance (Bass, et al., 1994).

*Management-by-exception* is a corrective type of leadership transaction that is more ineffective than the contingent reward transaction. It can be either passive (reactive) or active (proactive). When active (MBE-A), the leader arranges to actively monitor deviances from set standard in the followers assignments. He will subsequently take corrective action (proactively) where necessary, that is when mistakes or errors occur. When passive (MBE-P), the leader reactively waits for deviances, mistakes and errors to occur and only then takes corrective action where necessary (Brand, et al., 2000).

*Laissez-faire* is the “complete avoidance or absence of leadership, a style of leadership that is most ineffective and inactive” (Brand, et al., 2000:70). Individuals who follow a *laissez faire* leadership style are called social loafers (Howell and Avolio, 1993).

Transactional leadership therefore occurs when one person takes the initiative in making contact with others for the purpose of the exchange of something valued, “thus leaders approach followers with an eye to negotiation, the focus of the leader is either to correct a problem or to establish an agreement to increase the probability of achieving a positive result” (Brand, et al., 2000:70). Figure 3 below provides a short summary of the transactional leader, his major attributes, view of others, leadership philosophy, follower philosophy, and major blind spots in delegation.

**Figure 3 - The transactional leader**

<p>Major Attributes</p> <ul style="list-style-type: none"> <li>• <i>Operates out of own needs and agenda</i></li> <li>• <i>Manipulates others and situations</i></li> <li>• <i>Seek concrete evidence of success</i></li> </ul> <p>View of Others</p> <ul style="list-style-type: none"> <li>• <i>Others seen as facilitators or obstacles to meeting own goals</i></li> <li>• <i>Others seek own payoffs and can be manipulated with that knowledge</i></li> </ul> <p>Leadership Philosophy</p> <ul style="list-style-type: none"> <li>• <i>Play by my rules and I will get you what you want.</i></li> </ul> <p>Followers Philosophy</p> <ul style="list-style-type: none"> <li>• <i>Let me know what you want and I will get it for you (if you take care of my needs)</i></li> </ul> <p>Major Blind Spots in Delegation</p> <ul style="list-style-type: none"> <li>• <i>Let me know what you want and I will get it for you (if you take care of my needs)</i></li> <li>• <i>Cannot think about others as thinking about himself: lack of trust</i></li> <li>• <i>Does not understand that some people will forego immediate payoffs to maintain a relationship of mutual trust or respect.</i></li> </ul>
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Kuhnert (2000 in Brand, et al., 2000:72).

#### 2.5.3.5.3. *From transactional to transformational leadership*

In the old paradigm, it was possible for a truly successful transactional leader to be a good manager as they tend to be very good at the traditional management functions of planning

organising, directing and control which call for task-orientated leaders (Kuhnert, 1994, in Brand, et al., 2000). However with the changing requirements of the information age came the recognition that the controller does not have all the answers (Charlton, 1993). “The control orientation, so much a part of the culture of hierarchical organisations, has produced conditioned responders – people who hear and receive only the input for which they have a response. These dinosaurs of the information age are increasingly isolated as they teeter precariously on the edge of extinction” (Charlton, 1993:9). Thus the transactional leadership style is not well suited to the new paradigm in which spontaneous innovation from the workers at the frontline is becoming a prerequisite to creating a sustainable competitive advantage.

It was against this background that transformational leadership started to emerge as, “something more than the compliance of followers or the establishment of agreements. It (transformational leadership) involves a shift in the followers beliefs, values, needs, and capabilities” (Brand, et al., 2000:70). The point at which transactional leadership moves into transformational leadership, or put another way, the point where transformational leadership, in terms of its effect on the follower sense of satisfaction and performance, adds to the transactional exchange process, comes when the leader realises that he must be willing to address a followers sense of self worth to engage him in being committed and fully involved in the challenges at hand (Brand, et al., 2000).

In summary, transactional leadership, particularly contingent reward provides a broad basis for effective leadership, but a greater amount of effort, effectiveness, *innovation*, risk taking and satisfaction is possible from transactional leadership if it is augmented by transformational leadership (Brand, et al., 2000). It is time now to discuss transformational leadership.

#### *2.5.3.5.4. Transformational leadership*

Transformational leadership addresses the inherent limitations in previous leadership theories (see 2.5.3.4.6. - Summary of Contingency Models). It de-emphasises theoretical complexity and looks at leadership more in the way a lay person would view the subject (Robbins, 1996). It has rigour, generality and the opportunity to employ standard measurements and it

provides a holistic view of leadership with universally accepted principals which if employed, should result in the improved effectiveness of the organisation (Robbins, 1996).

In previous research Ristow (1997) found a strong positive relationship between transformational leadership and organisational effectiveness, and Hayward (2005) found a strong positive relationship between transformational leaders and the effectiveness of their followers. Additionally, it moves beyond the exchange-based relationship of transactional leadership. Transformational leaders are responsible for motivating their employees to go beyond ordinary expectations by appealing to their higher order needs and moral values (Bass, 1998). In other words, followers are focused on long term interests rather than short term satisfaction.

The key point in the entire discussion of the relevance of the transformational leadership approach is that while transactional leadership can result in expected performance, the transformational leadership style can result in performance beyond expectations. Bass (1990a) refers to Tom Peter's book, 'In Search of Excellence' where it is argued that many firms identified by Peters as excellent, have large numbers of transformational leaders.

#### *2.5.3.5.5. Definition of transformational leadership*

We have seen under the discussion above (see 2.5.3.5.1. - Transactional leadership) that the focus of a transactional leader is to correct a problem or to establish an agreement to increase the probability of achieving a positive result. Transformational leadership on the other hand is more than the compliance of followers or the establishment of agreements, instead it concerns a shift of the follower's beliefs, values, needs and capabilities (Brand, et al., 2000). Ultimately transformational followers become leaders in their own right (Bass, 1994).

Kuhnert (1994, in Brand, et al., 2000:73) suggests "transformational leaders are people who motivate others to do more than was originally planned or more than they thought possible. They typically set more challenging tasks and achieve greater performances from their subordinates, followers, colleagues, clients, and even their bosses, than previously thought possible. These leaders also broaden and enlarge the interests of those they lead".

Transformational leaders motivate others to do more than they originally intended and often more than they thought possible. They set more challenging expectations and typically achieve higher performances (Bass, et al., 1994). Quite simply, transformational leadership is leadership by motivating. Transformational leaders provide extraordinary motivation by appealing to follower's ideals and moral values, and inspiring them to think about problems in new ways (Howell, et al., 1993). They are people who motivate others to do more than was originally planned or more than they originally thought possible. They typically set more challenging tasks and achieve greater performance from their subordinates, followers, colleagues, clients and even their bosses than previously thought possible. These leaders also broaden and enlarge the interests of those they lead (Brand, et al., 2000). Figure 4 below lists the major attributes of the transformational leader.

**Figure 4 - The transformational leader**

<p>Major Attributes</p> <ul style="list-style-type: none"> <li>• <i>Concerned about values, ethics, standards and long term goals.</i></li> <li>• <i>Self-contained and self-defining.</i></li> </ul> <p>View of Others</p> <ul style="list-style-type: none"> <li>• <i>Able to grant others autonomy and individuality.</i></li> <li>• <i>Concerned about others without feeling responsibility for their self-esteem.</i></li> </ul> <p>Leadership Philosophy</p> <ul style="list-style-type: none"> <li>• <i>Articulates clear long-term standards and goals</i></li> <li>• <i>Bases decisions on a broad view of the situation, not just immediate factors.</i></li> </ul> <p>Followers Philosophy</p> <ul style="list-style-type: none"> <li>• <i>Give me autonomy to pursue broad organisational goals.</i></li> <li>• <i>Do not ask me to compromise my own values or standards of self-respect, unless it is for the good of the group or organisation.</i></li> </ul> <p>Major Blind Spots in Delegation</p> <ul style="list-style-type: none"> <li>• <i>Can be too self-contained and reluctant to delegate.</i></li> <li>• <i>May become isolated in leadership role.</i></li> </ul>
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Kuhnert (1994 in Brand, et al., 2000:74)

From this table it is clear that the transformational leader is self defining in that he has a clear sense of internalised values, beliefs, and ideals. These leaders tend to inculcate a strong sense of self worth that allows them to make decisions that are not popular even though the actions are in the best interest of the organisation and the individuals serving it. These leaders have a

strong sense of inner purpose and direction, two qualities that have always seemed to form the bedrock of all true visionary leaders (Brand, et al., 2000).

#### *2.5.3.5.6. The components of transformational leadership*

Transformational leaders do more with colleagues and followers than set up simple exchanges or agreements. They behave in ways to achieve superior results by employing one or more of the “four I’s”, namely idealised influence, inspirational motivation, intellectual stimulation and individualised consideration (Avolio, Waldman and Yammarino, 1991).

*Idealised influence* sees transformational leaders behaving in ways that result in their being role models for their followers (Brand, et al., 2000). These leaders are admired respected and trusted. Followers identify with the leaders and want to emulate them. Amongst the things the leader does to earn this credit is considering the needs of others over his own personal needs. The leader shares risk with the others and is consistent rather than arbitrary. He can be counted on to do the right thing, demonstrating high standards of ethical and moral conduct. He or she avoids using power for personal gain (Bass, et al., 1994). Idealised influence has two main components, namely idealised attributes (also called attributed charisma) and idealised behaviours (Ristow, 1997).

With *inspirational motivation* transformational leaders behave in ways that motivate and inspire those around them by providing meaning and challenge to their followers work. Team spirit is aroused, enthusiasm and opportunism displayed and the leader gets followers involved in envisioning attractive future states. The leader creates clearly communicated expectations that followers want to meet and also demonstrates commitment to goals and the shared vision (Bass, et al., 1994). Such leaders inspire those around them by giving meaning to their work and by challenging them to envision an attractive future for themselves and the company for which they work (Brand, et al., 2000).

With *intellectual stimulation* transformational leaders stimulate their follower’s efforts to be innovative and creative by questioning assumptions, reframing problems, and approaching old situations in new ways. Creativity is encouraged. There is no public criticism of

individual member's mistakes. *Innovative* solutions are solicited from followers, who are included in the process of addressing problems and finding solutions. Followers are encouraged to try new approaches, and their ideas are not criticised because they differ from the leaders ideas (Bass, et al., 1994). Intellectual stimulation has as its core outcome creative freedom (Brand, et al., 2000).

Finally *individualised consideration* sees transformational leaders pay special attention to each individuals required needs for achievement and growth by acting as a coach or mentor. Followers and colleagues are developed to successively higher levels of potential (Brand, et al., 2000). Bass, et al., (1994) provide the following example of how individualised consideration is practiced. New learning opportunities are created along with a supportive climate. Individual differences in terms of needs and desires are recognised. The leader's behaviour demonstrates acceptance of individual differences (e.g. some employees receive more encouragement, some more autonomy, others firmer standards, and still others more task structure). A two way exchange in communication is encouraged, and "management by walking around" work spaces is practiced. Interactions with followers are personalised (e.g. the leader remembers previous conversations, is aware of individual concerns, and sees the individual as a whole person rather than as just an employee). The individually considerate leader listens effectively. The leader delegates tasks as a means of developing followers. Delegated tasks are monitored to see if the followers need additional direction or support and to assess progress. Ideally followers do not feel that they are being checked on.

It must be noted that it is the combination of both transactional and transformational leadership into full range leadership, rather than the exclusion of one in favour of the other, that represents optimal leadership behaviour (Bass, et al., 1997). The concept of full range leadership will now be discussed.

#### *2.5.3.5.7. Full Range Leadership - transactional and transformational leadership*

Avolio and Bass (2000, in Brand et al., 2000:72) suggest,

constructive and especially corrective transactions may have only marginal impact on followers unless accompanied by one or more components of transformational leadership for getting the most out of transactions, the

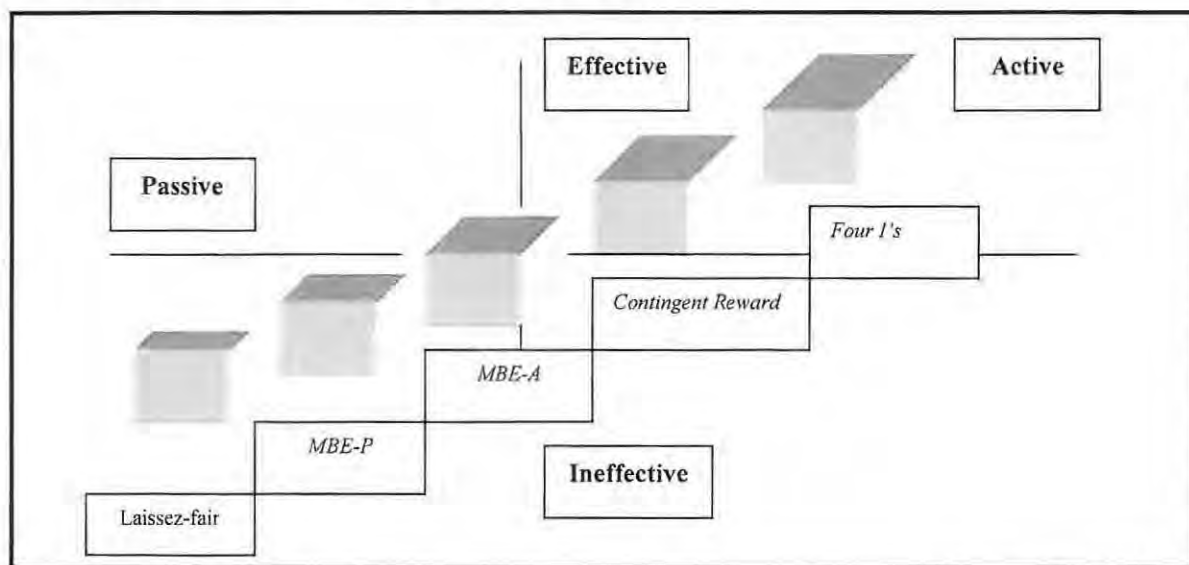
follower needs to feel valued by the leader, the follower needs to find meaning in what he is doing, the follower needs a sense of ownership for what being done. Transactional leadership, particularly contingent reward, provides a broad basis for effective leadership, but a greater amount of effort, effectiveness, *innovation*, risk taking and satisfaction is possible from transactional leadership if it is augmented by transformational leadership.

It is important to note however that transformational leadership is not an alternative to earlier leadership styles, it is a necessary supplement (Brand, et al., 2000). Research data clearly shows that transformational leaders are more effective than transactional leaders, regardless of how effectiveness has been defined (Brand, et al., 2000). However it is the combination of both, rather than the exclusion of one in favour of the other, that represents optimal leadership behaviour.

This concept of effectively using a combination of leadership styles is clearly demonstrated by Bass, et al., (1997) in their full range leadership development model. This model includes the four I's of transformational leadership as well as transactional leadership behaviour and laissez-faire (avoidance or absence of leadership) behaviour.

An optimal leadership style profile is shown in Figure 5 below. In this figure the third dimension (depth) represents how frequently an individual displays a particular style of leadership. The active dimension helps clarify the style, and the effectiveness dimension broadly represents the impact of the leadership style on performance. In this example the leader infrequently displays laissez-faire leadership and increasing frequencies of the transactional leadership styles of management by exception both passive (MBE-P) and active (MBE-A), as well as contingent reward (CR). This optimal profile shows the transformational Four 'I's' as they are most frequently displayed. In contrast, the poorly performing leader's profile, would tend towards inactivity and ineffectiveness, and is opposite to that of the optimal leadership style.

Figure 5 - Optimum leadership style using Full Range Leadership



(Bass, et al., 1994:5)

#### 2.5.3.5.8. Full Range Leadership – previous studies

Transformational leadership has emerged as one of the most extensively researched leadership paradigms to date (Bass, 1985). Perhaps the reason that research on transformational leadership has become somewhat self-sustaining is that positive results continue to emerge on the effects of transformational leadership (Hater and Bass, 1988).

It has been found in numerous workshops conducted in a wide variety of organisational settings and cultures, that when participants were asked to describe their ideal leader, they tended to describe characteristics associated with transformational, as opposed to transactional leadership most frequently (Avolio, et al., 1991). This is supported by more recent research in organisational behaviour by Dubinsky, Yammarino and Jolson (1995) who found that transformational leadership can engender improved employee outcomes in many types of organisations.

Employee satisfaction is also directly related to the follower's feelings about the leader. Bass (1990b) also found that managers who behave like transformational leaders are more likely to be seen by their colleagues and employees as satisfying and effective leaders than those who behave like transactional leaders.

Many research studies have been conducted in business and industry, government, the military, educational institutions, and non-profit organisations, all of them showing that transformational leaders, as measured by the survey instruments derived from the Bass and Avolio model, were more effective and satisfying as leaders than transactional leaders although the best of leaders frequently do some of the latter but more of the former. Follow up investigations have shown that developing transformational leadership with training in the four I's can enhance effectiveness and satisfaction as a leader (Bass, et al., 1994).

It is important to state again the point made under the discussion of 'Full Range leadership' above, that transformational leadership is not an alternative to earlier leadership styles, it is a necessary supplement (Brand, et al., 2000). Research data clearly shows that transformational leaders are more effective than transactional leaders, regardless of how effectiveness has been defined (Brand, et al., 2000). However it is the combination of both transformational and transactional leadership, rather than the exclusion of one in favour of the other, that represents optimal leadership behaviour. In terms of research, leaders studies by researchers such as Hater and Bass (1988) and Howell, et al., (1993) have come from an extremely broad variety of organisations. Chief Executive Offices and senior and middle managers and supervisors in business and industrial firms in the United States, Europe, Canada, Japan, India and to a lesser extent, Africa, have all been investigated, in terms of the transformational leadership theory. In these studies, evidence has constantly been found supporting the transactional-transformational leadership paradigm (Bass, 1990).

In the South African context, Ristow, Amos and Staude (1999) studied the relevance of transformational leadership in the sporting arena of South African cricket. At the time of the study, the United Cricket Board of South Africa had achieved much success and, considering that few studies of leadership had been conducted in sport, the cricket board provided the context to test the proposition that transformational leadership results in improved organisational effectiveness. The results of the study indicate a positive relationship between transformational leadership and organisational effectiveness in cricket, permitting the researchers to conclude that the results provided support and evidence of the applicability of the transformational leadership theory in the context of South African cricket.

In another South African study of two hundred and seven employees, including leaders and their corresponding subordinates, in a South African Pharmaceutical Company, a significant

relationship between transformational leadership and individual employee's performance was identified (Hayward, 2005). The results of this study support the findings of other South African and international studies suggesting the strong, positive effects transformational leaders have on the effectiveness of their followers.

Studies examining the relationship between transformational leadership and innovation include Howell, et al., (1993) who found a positive relationship between transformational leadership behaviours and innovation. Likewise Bruce and Scott (1994) found a positive relationship between individual innovative behaviour and leadership. Smit and Visser (2005) also found a significant positive relationship between the characteristics of an entrepreneur and the characteristics of a transformational leader in South African SME's. In a study on the social composition of the top management of 199 banks in America, authors Bantel and Jackson (1989) found innovative banks are managed by more educated teams who are diverse with regards to their functional area of expertise. In a study on leadership, organisational culture and organisational innovativeness, Kristina (2004) found that examining the link between leadership and organisational culture is important for understanding how leadership and innovation are related. Chang and Lee (2006) found a correlation between leadership style and employee innovation ability in a study on Taiwanese wire and cable companies.

After a review of the literature on transformational leadership and innovation in the South Africa banking industry, no reference to this research context could be found (see Chapter 7 - Discussion).

## **2.6. Chapter summary**

This chapter has shown how the shift from the old 'Industrial Age Paradigm' to the new 'Information Age Paradigm' has seen the role of innovation in an organisation grow to become one of the key drivers of organisational success (Draft, 1999). Organisational success in the new paradigm is dependant on the organisations ability to generate above average returns (Hitt, et al., 2005). Above average returns are in turn dependant on the ability of an organisation to create a sustainable competitive advantage. A sustainable competitive

advantage arises when an organisation builds a *core competency* around an *intangible resource* which is valuable, rare, non substitutable, and costly to imitate (Hitt, et al., 2005).

Relating innovation to this theory, the ability to *innovate* is an intangible resource and has the potential to be valuable, rare, non-substitutable, and costly to imitate and consequently it has the potential to be a core competencies. Core competencies such as this ultimately create a sustainable competitive advantage (Hitt, et al., 2005:84).

This need for innovation, driven by the changing organisational paradigm, is in turn driving a paradigm change in organisational structure in three important areas which were reviewed in this chapter. These three areas of change are; the *organisational leadership framework* (from strategy-structure-systems to people-process-purpose) required by organisations for creating this innovative culture (Bass, et al., 1997), the *organisational measurements* (from ROC to balanced scorecard) to ensure innovation is driven and measured (Kaplan, et al., 1996), and thirdly *organisational leadership* (from transactional to transformational) to manage this human intellect (Quinn, et al., 1993).

The next chapter will take a closer look at the concept of innovation, specifically innovation within First National Bank.

## **CHAPTER 3 - INNOVATION**

### **3.1. Introduction**

“Conventional wisdom says to get back to basics. Conventional wisdom says to cut costs. Conventional wisdom is doomed. The winners are the innovators who are making bold thinking an everyday part of doing business” (Hammel, 2002, in Hitt, Ireland and Hoskisson, 2005:3).

The goal of this research is to investigate the relationship between leadership and innovation in First National Bank. This chapter reviews the literature around innovation and the various definitions of innovation. The context within which First National Bank views innovation is reviewed including the role innovation plays in helping First National Bank achieve its stated vision, and the way First National Bank drives innovation through an ‘Innovations Campaign’ which rewards staff financially for their innovations. Finally the context within which First National Bank views innovation is linked to the theory on innovation.

### **3.2. Definition of innovation**

Drucker (1998) argues that innovation is the specific function of entrepreneurship, whether in an existing business, a public service institution, or a new venture started by a lone individual. Moreover he (Drucker, 1998) suggests that innovation is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth. Thus entrepreneurship and the innovation resulting from it are important for large and small firms, as well as for start up ventures as they compete in the twenty first century competitive landscape.

Numerous difficulties surround the concept of innovation, as the term innovation is not easy to define. For some it equates with high technology. For others it is the process of change. Kirby (2003: 132) sees it as, “the application of creativity to solve problems and to exploit opportunities”. For him (Kirby, 2003) therefore, innovation can relate to the end products

(the goods or services created) or the process by which the products are created. This conforms to Johnston's (1966: 159) definition of innovation as "the introduction of new and improved processes and products into the economy". Likewise Kanter (1983, in Hannah, 1995:216) defines innovation as "the process of bringing any new, problem solving idea into use, it is the generation, acceptance and implementation of new ideas, processes, products, or services". Deutsch (1985, in Hannah, 1995:216) adds that innovation "is the work of many people and is related to the adoption of some new invention or discovery on a relatively large scale". Following Kanter, Glynn and Marais, (1993:79) define innovation to be, "the process of bringing any new, problem solving idea into use in an organisation. Innovation for them (Glynn, et al., 1993) represents frame breaking change.

For economists such as Schumpeter (1950) innovation and entrepreneurship are interlinked. In his classic work Schumpeter (1950) argues that firms engage in three types of innovative activity. Firstly "invention" which is the act of creating or developing a new product or process. Secondly "innovation" which is the process of creating a commercial product from an invention. Thus an invention brings something new into being, while an innovation brings something new into use. An invention only becomes an innovation when the invention is brought into use. Accordingly technical criteria are used to determine the success of an invention, whereas commercial criteria are used to determine the success of an innovation. Finally "imitation" is the adoption of an innovation by similar firms. Imitation usually leads to product or process standardisation, and products based on standardisation are often offered at lower prices, but without as many features (Schumpeter, 1950).

Drucker (1985:17) holds a similar view of innovation and suggests, "innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service, entrepreneurship sets the innovation process in motion, the reward being profit". He (Drucker, 1985:17) goes on to say that entrepreneurs need to, "know and apply the principals of successful innovation", implying that these skills are not something possessed naturally by the entrepreneurs. Kirby (2003) suggests that what separates the entrepreneur from the inventor is the ability to transform an idea into a reality. The difference in these definitions lies in whether innovation is seen as frame bending (incremental) change or frame breaking, whether it relates to product or process, whether it is on a large scale or not, and whether or not it includes the successful implementation of the innovation or not.

For the purpose of this research the definition of innovation that will be accepted will be the definition given by First National Bank in their Innovations Campaign. First National Bank views innovation as a new approach to an old process or a totally new idea. They suggest innovation is applied creativity. It occurs along a range, covering everything from small improvements to industry changing ideas. Innovation at FNB creates value for the company in terms of its vision (see 3.3.1. - The vision of First National Bank and the role of innovation). Innovation is an integral part of the staff's daily job. The staff should continually question how they could improve a process or the environment to be more efficient and more effective. Innovative ideas save costs, increase revenue and improve the staffs working environment and First National Banks service delivery. Just because something is new does not mean it is better. Innovations challenge the status quo by introducing new solutions and new approaches that positively affect the staff and First National Bank. Finally for First National Bank an innovation is more than just a new idea. It is an idea that has been implemented and has realised benefits (FNB Pulse a, 2006).

### **3.3. Linking the theory of innovation to First National Bank's definition of an innovation**

Taking the literature discussed in this chapter and applying it to the First National Banks definition of innovation allows the researcher to understand how closely First National Banks definition ties in with the theory. It is important for the purpose of this research that what is being measured by First National Bank is actually innovation.

The definition of innovation was discussed above (see 3.2. – definition of innovation). It was shown that for Johnston (1966) innovation can be seen as the introduction of new and/or improved processes and products into the economy. Expanding on this view Kirby (2003) suggests that innovation can relate to the end products (the goods or services created) or the process by which the products are created. In the FNB Innovators campaign judgement takes place under different categories. The headings of these categories suggest that the campaign incorporates both the above definitions of innovation in that they include improvement innovation and brand new innovation, with sub-categories being; sales, service, people, efficiencies (see Table 1 - Innovation incentives in First National Bank).

Deutsch (1985, in Hannah, 1995:216) adds that, “innovation relates to the adoption of some new invention or discovery on the level of behaviour of action on a relatively large scale”. Kanter, et al., (1993:79) hold similar views and suggest innovation represents, “frame breaking change”. However the FNB Innovators Campaign does not ascribe to these definitions. For them as long as the innovation contributes to the banks vision, it will be considered an innovation (see 3.3.1 – The vision of First National Bank and the role of innovation). Consequently relatively small, implemented process changes within branches that for instance reduce paperwork, have been recognised as innovations. This ties in with Kanter (1983, in Hannah, 1995:216) who defines innovation, amongst other things, as, “the process of bringing *any* new, problem solving idea into use”.

For Kanter (1983, in Hannah, 1995) innovation is not just the process of bringing any new, problem solving idea into use, but it is also the generation, acceptance and implementation thereof. Kirby (2003) expands on this and suggests that what separates the entrepreneur from the inventor is the ability to transform an idea into a reality. Similarly in the FNB Innovators Campaign if the staff members idea is approved it goes to the implementation phase, but this approval does not equate to financial approval and the entrant must follow the normal business processes for acquiring funds and resources to implement his idea. Additionally only innovations that have been completely implemented will be judged in the course of the competition (FNB Pulse b, 2006).

In summary it can be said that First National Banks definition of innovation ties in very closely with the theory and literature on innovation. It includes the idea and implementation of large and small, frame bending or frame breaking process and product, improvements or inventions. Evaluating staff innovations against this definition ensures that First National Bank is in fact measuring true innovations.

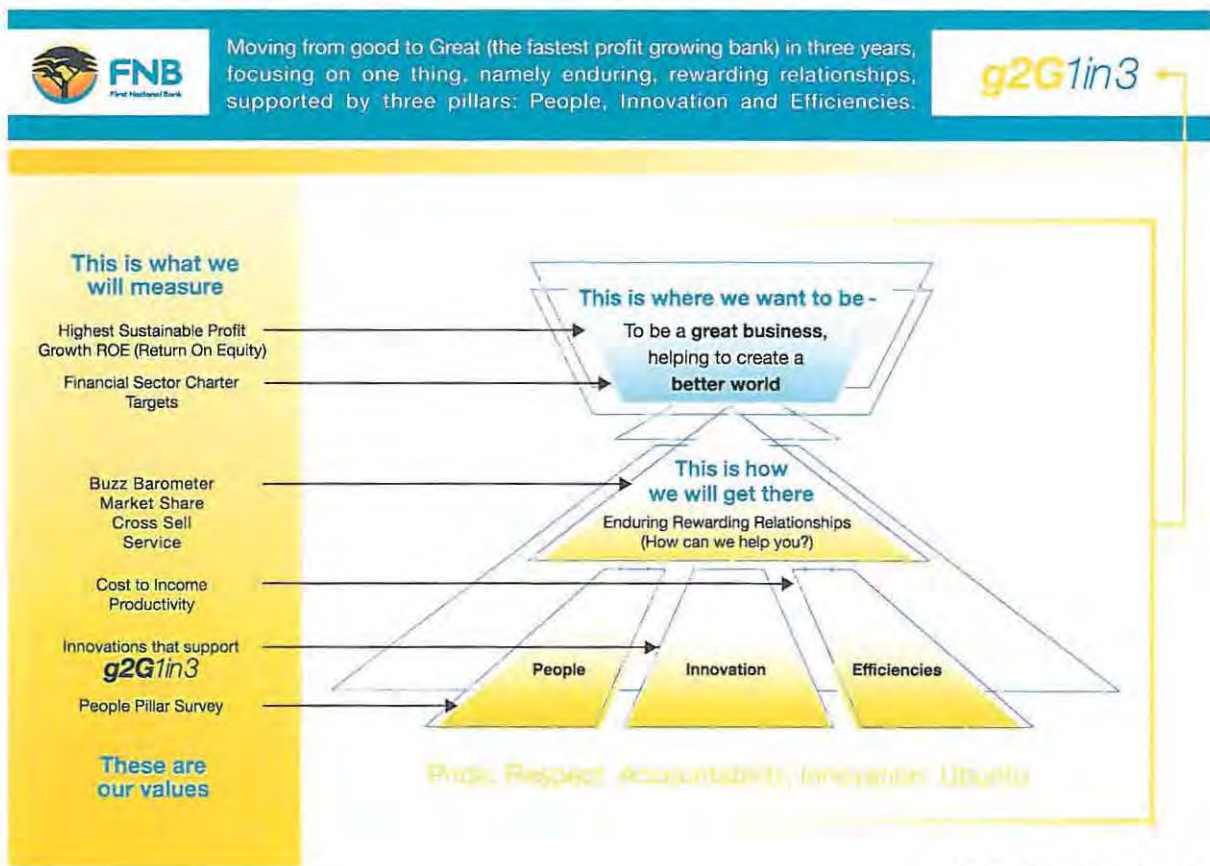
### ***3.3.1. The vision of First National Bank and the role of innovation***

First National Bank’s vision is, “To be a great business helping to create a better world” (FNB Pulse b, 2006). To help staff remember it, and to provide more specific information, an operational slogan has been developed, g2G1in3 (good to great, one in three). The “g” stands

for good and is an acknowledgement of where the bank is now and the fact that there is a lot of work to do for the bank to become great. The “G” stands for great which is what the bank is striving to become. 1in3 represents the banks aim to become the number one bank in South Africa in three years time (by the end of 2008), measured in terms of profitability. 1in3 also represents the banks strategy of how to reach its vision. This is based on building enduring rewarding relationships with their customers, colleagues and other stakeholders. These enduring, rewarding relationships will be built by focusing on three ‘pillars’, namely, empowering people, *driving innovations*, and cost and banking efficiencies (FNB Pulse b, 2006).

Figure 6 below provides a graphic illustration of the strategy First National Bank plans to use to achieve its vision of becoming a great bank in three years through the three strategies (pillars) of people, *innovation* and efficiencies which will drive enduring rewarding relationships. The left hand column shows the measurements used to track the success of the strategy.

Figure 6 - First National Banks strategy for achieving its vision



(FNB Pulse b, 2006)

In April 2005 First National Bank embarked on a focused project to drive the innovation pillar in the Bank. A major internal communication campaign was launched known as the 'FNB Innovators Campaign', encouraging staff to submit their innovations to help move the Bank towards its vision for which the staff will be financially incentivised. Staff are encouraged to enter their innovations online where they will be either approved or declined by the segment product champion. Judgement is based on whether or not the idea is an innovation according to the First National Bank definition of an innovation (see 3.3. - Linking the theory to FNB's definition of an innovation), and whether or not it contributes to g2G1in3. If the idea is approved it goes to the implementation phase. As mentioned this approval does not equate to financial approval and the entrant must follow the normal business processes for acquiring funds and resources to implement his idea. Once implemented, it again goes to the segment innovation champion who carefully goes over the process as logged by the staff member, validating the benefits as realized by the staff member's innovation. If all seems well, this stage is approved and the innovation is complete.

Only innovations that have been completely implemented will be judged in the course of the competition. A judging panel will assess and judge the merits and benefits of each entry (including the potential positive financial implications) to decide on the winners of each phase and category. The phases progress from business unit level, to segment level and then to the final judgement. Categories are improvement innovation and brand new innovation. Sub categories are; sales, service, people, efficiencies. In each category a prize of R50 000 is awarded for sales, service, people, and efficiencies. The best overall innovation will receive an additional R950 000 to become the winner of a total amount of R1million after tax (FNB Pulse a, 2006). These financial incentives are shown in Table 1 below.

**Table 1 - Innovation incentives in First National Bank**

Category	Improvement Innovation	Brand new Innovation
Sales (revenue)	R50 000 (after tax) only awarded at judges' discretion	R50 000 (after tax) only awarded at judges' discretion
Service	R50 000 (after tax) only awarded at judges' discretion	R50 000 (after tax) only awarded at judges' discretion
People	R50 000 (after tax) only awarded at judges' discretion	R50 000 (after tax) only awarded at judges' discretion
Efficiency (Costs)	R50 000 (after tax) only awarded at judges' discretion	R50 000 (after tax) only awarded at judges' discretion
<p>The overall winning innovation will receive (in total) R1 million in prize money (including the R50 000 as category prize.) Two runners-up will be announced (if there are suitable candidates according to the judges) for the Improvement Innovation and Brand New Innovation categories. The runners-up will receive an additional R50 000, giving them a total of R100 000 each.</p>		

(FNB Pulse a, 2006).

In FNB, the staff member innovator, i.e. the person that comes up with the idea, needs to ensure that the approved idea is implemented. This is not a suggestion scheme where an idea is passed off to a different business unit who will do the work and deliver the goods. The original staff member innovator truly becomes an innovator as he/she is part of the implementation of the idea, hence making it an innovation (FNB Pulse a, 2006).

Results for the innovators campaign are available on a yearly basis since 2005. In table 2 below the results showing the business units that participated in the campaign and the results achieved. It can be seen how the idea moves from a new idea logged, to an implemented approved idea.

Table 2 - First National Bank's business unit innovation levels

<b>Business Unit</b>	<b>Rolled over ideas from previous year</b>	<b>New ideas logged in competition year</b>	<b>Archived ideas</b>	<b>Total ideas per competition year</b>	<b>Implemented approved ideas</b>
<b>African Subs</b>	86	116	76	126	14
<b>Branch Banking</b>	3318	3018	2356	3980	236
<b>Brand</b>	72	64	56	80	7
<b>CFO Support</b>	95	147	84	158	26
<b>Commercial</b>	1073	728	574	1227	54
<b>Corporate</b>	1798	943	907	1834	161
<b>Personal Banking</b>	1596	1196	902	1890	178
<b>Public Sector</b>	44	33	38	39	3
<b>Smart Solutions</b>	175	149	92	232	16
<b>Wealth</b>	135	282	141	276	25

(FNB Pulse a, 2008)

From these statistics a picture emerges as to which segments are submitting innovations (Personal Banking), and who is having success driving their innovations to implementation (Corporate Transactional Banking). Clearly the spread is not even and the focus of this research is to establish whether there is a relationship between the level of innovation and leadership within these business units of First National Bank.

### 3.4. Chapter summary

This chapter reviewed the literature around innovation and the various definitions of innovation. The context within which First National Bank views innovation was described and this was tied back to the theory on innovation. The role innovation plays in helping First National Bank achieve its vision was reviewed. Additionally the way First National Bank drives innovation through an 'Innovations Campaign' which rewards staff financially for their innovations was described. The next chapter will show two ways in which Full Range Leadership can drive innovation in large organisations such as First National Bank.

## **Chapter 4 - Full Range Leadership; two ways in which this leadership style can drive innovation in large organisations such as First National Bank.**

### **4.1. Introduction**

Theory and supporting research strongly suggests that in large organisations, teams and organisational decision making are likely to be more successful in driving innovation if transformational leadership is involved in the process (Bass, et al., 1994). This chapter integrates the theory on leadership (see 2.5. – Leadership in the new paradigm) and the theory on innovation (see Chapter 3 - Innovation) presented above, with two examples of how Full Range Leadership can help drive innovation in a large organisation such as First National Bank. The chapter merges the model of the Four I's of transformational leadership, with a model of how teams should be lead, and a model of how organisational decisions should be made, in large organisations such as FNB - in order to drive innovation.

It has been shown above (see 3.3 - Linking the theory on innovation to First National Banks definition of innovation), how the First National Bank comprises ten separate business units. Although there are benefits to such a corporate structure such as focus and control, innovation can be difficult Walderman (1994, in Bass, et al., 1994). This is because such a structure often creates a 'silo effect' between these separate business units with little communication and interaction, both horizontally (between business units) and vertically (within business units) (Walderman, 1994, in Bass, et al., 1994).

Full Range Leadership used with *multi-functional teams* and in the *organisational decision making process*, are two ways in which to address innovation within such a 'silo' environment. The impact of Full Range Leadership on multifunctional team will now be reviewed, followed by a review of the impact of full range leadership on the decision making model.

#### **4.2. The first way in which Full Range Leadership will help First National Bank drive innovation - Multifunctional Teams**

The first way in which Full Range leadership will help First National Bank drive innovation is through the use of multifunctional teams. MFTs can accelerate and make the innovation process more efficient by reducing or eliminating these specific problems, often as a consequence of effective leadership (Walderman, 1994, in Bass, et al., 1994).

Walderman (1994, in Bass, et al., 1994:85) states,

today's organisations are faced with turbulent and continuously changing business environments. In the 1990s and beyond, the marketplace is and will continue to be characterised by a constant state of flux, with quickly changing customer demands and competition coupled with rapidly evolving technologies. To meet the demands of such an environment, quick product and process *innovation and renewal* are required at minimal cost and without sacrificing quality. Multifunctional teams (MFTs) are perfect for addressing these challenges.

MFT are groups of individuals from different functional, technical, or professional backgrounds, usually brought together for a limited amount of time to solve or address problems or tasks of significance to an organisation. These MFTs may eventually become permanent parts of organisational structures (Takeuchi and Nonaka, 1986).

Traditionally most organisations have used a sequential model of innovation (Walderman, 1994, in Bass, et al., 1994). Different groups of members from the same functional area engage in a set of tasks at each different phase of innovation. If communications are inadequate between each succeeding group, then much rework occurs whenever a group in a later phase finds the product of a group in an earlier phase lacking in feasibility. The end result is slower innovation and an inability to meet customer requirements (Walderman, 1994, in Bass, et al., 1994). To counter these problems, organisations are increasingly making use of MFTs that engage in more than one phase of innovation, sometimes carrying the new product forward from inception to market (Walderman 1994, in Bass, et al., 1994).

The increasing need for MFTs to effect innovation can best be understood by first considering the innovation process and how organisations have traditionally attempted to proceed with innovation and new product innovation. This will be followed by a review of the innovation process in MFT's.

#### ***4.2.1. Traditional innovation processes***

Walderman (1994, in Bass, et al., 1994) suggests that in most organisations innovation and product development and renewal have typically occurred in a five phase sequence. According to him (Walderman, 1994, in Bass, et al., 1994) phase one begins with idea generation and development. Phase two takes the initial idea generation and develops applied research to determine both technological and market feasibility. Phase three brings the development of a prototype product and continued feasibility studies. This phase essentially marks the beginning of product 'development' and the end of research. Phase four is marked by an intense preparation for mass production and an emphasis on reconciling process technologies. Phase five concludes the innovation cycle by proceeding with mass production and introduction of the new product into the marketplace.

Problems can readily come about as a result of this sequential innovation process where the innovation process can be likened to a relay race. Phase one needs to be completed before phase two begins; phase two has to be completed before phase three begins and so forth. Because people involved in the innovation process tend to differ across phases, 'ownership' of the project may be diffused, and communication may suffer as one innovation group 'hands the baton' to the next group (Walderman, 1994, in Bass, et al., 1994). Typically phase one is the responsibility of a management or technical group, phase two a research group of scientists, phase three a team of material engineers, phase four a team of production engineers, and phase five manufacturing or marketing teams.

These ownership and communication problems associated with sequential innovation processes can lead to lengthy product innovation or renewal cycles. Such long cycles can, in turn, lead to increased costs in bringing the product to market, a poor quality product, and a loss of market share as customers quickly turn to competitors who can satisfy their

requirements (Walderman, 1994, in Bass, et al., 1994). Additionally organising innovation in this sequential manner lends itself to generally homogeneous composition of project team members (Walderman, 1994, in Bass, et al., 1994). For example, scientists working on basic research projects tend to be the only ones involved in the first and second phases, development engineers in the third phase, manufacturing engineers in the fourth phase, and line workers and supervisors in the last phase

Delays more readily occur when a homogeneously staffed group operating in a particular phase passes the project along to another homogeneous group in the next phase (Fischer, 1961). These delays result from a lack of early communication between people in different functional areas and a lack of understanding of requirements at later points in the process (Fischer, 1961). This approach can also lead to bottlenecks that put increased pressure on the teams waiting to take on their phases of the project

#### ***4.2.2. Innovating with multifunctional teams***

By contrast the *innovation process* using MFT's occurs with overlapping phases. The overlap of phases serves as a stimulus for people from different functional areas to be involved in each phase of innovation (Walderman, 1994, in Bass, et al., 1994). To some extent, selected MFT members can work together on a project from phase one through to phase five. This type of structure would supply the opportunity for continued feedback and a "looping back" to an earlier phase as needed.

Additionally, from a motivational perspective, seeing a project through from early idea generation and research to the eventual production of a commercially successful product can be a highly rewarding experience for project team members who should then also develop a greater sense of ownership in the product over these various phases (Walderman, 1994, in Bass, et al., 1994).

The role of transformational leadership in MFT's has been discussed above, however as noted in the section on Full Range leadership (see 2.5.3.5.7 – Full Range Leadership – transactional and transformational leadership), transformational leadership is not an alternative to transactional leadership, it is a necessary supplement to it (Brand et al., 2000).

When these two leadership styles are practiced together they form a leadership style known as Full Range Leadership (Brand et al., 2000). Likewise, in MFT's leadership for innovation requires Full Range Leadership (Walderman, 1994, in Bass, et al., 1994).

Although transactional leadership needs to be used judiciously in MFT's, there is a role for it. In discussing the role of transactional leadership in practicing Full Range Leadership in MFT's Walderman, (1994, in Bass, et al., 1994) says,

transactional behaviour, particularly after-the-fact corrective transactions, often does more harm than good. Management-by-exception leadership is likely to lead to avoidance of risk and associated mistakes on the part of team members. Unfortunately this also *reduces creativity and innovation*. Additionally MFT members are usually self-motivate individuals. Because of this, although they are likely to have individual career needs, they are likely to have little need for a leader who emphasises material rewards for performance within the group. Nevertheless contingent reward systems remain important for the MFT leader who must continue to clarify and refine agreements amongst members and to coordinate many of the independent actions that occur within the MFT. Moreover there will be times when the MFT leader will meet to negotiate with functional managers or other MFT leaders for an individuals time or resources to achieve the projects aim. The effective use of such transactional leadership with functional managers or other MFT leaders is likely to enhance the projects success.

The following discussion shows how Full Range Leadership specifically the four I's of transformational leadership impacts positively on the functioning of MFT's. The four I's were discussed above (see 2.5.3.5.6. – The components of transformational leadership)

*Individualised consideration* is shown by the MFT leader in several ways according to Walderman (1994, in Bass, et al., 1994). First, the leader can be adept in dealing with individuals with diverse backgrounds, values, and perspectives. Empathy is shown to individuals who are struggling with difficult problems. The leader also avoids playing favourites with individuals from particular functional areas, thus maintaining a clear sense of equity. Secondly the leader allows individuals to make mistakes in the hope that they will learn from their mistakes and increase future chance of success. The leader emphasises the

learning potential in mistakes. Third the leader no longer conducts individual appraisal but conducts evaluations of both the individual and team development simultaneously.

*Intellectual stimulation* is also intertwined in the MFT leader's role in dealing with individual team members, the team as a whole and outside functional leaders (Walderman, 1994, in Bass, et al., 1994). For example, in team problem solving sessions, it is often necessary to help the team get to the heart of complex problems by offering linkages between vastly different technical areas and concepts. The leader may be instrumental in getting the team to re-examine assumptions that may inhibit creativity and innovation (Walderman, 1994, in Bass, et al., 1994).

*Inspirational leadership* is usually directly enacted by maintaining the team's vision of its objectives (Walderman, 1994, in Bass, et al., 1994). By repeatedly reminding the team of where it is heading, its incremental success, and the importance of its mission, the MFT leader is able to maintain optimism despite setbacks and lingering doubts (Walderman, 1994, in Bass, et al., 1994).

*Idealised influence* enhances the success of MFT leadership. Walderman (1994, in Bass, et al., 1994) suggests the leader sets examples for followers and exhibits integrity. He (Walderman, 1994, in Bass, et al., 1994) also suggests the generalist orientation and appreciation of each member's point of view help to build members trust and team members are personally allowed to present progress findings to upper management, thereby providing them with visibility and recognition for their accomplishments. "The MFT leader's strength is demonstrated to team members when the leader is successful in buffering them from upper management, in the persistence shown toward completing the mission, and the confidence that the team's mission will be attained" (Walderman, 1994, in Bass, et al., 1994:94).

#### ***4.2.3. Multi functional teams and First National Bank***

The discussion above has shown how large organisations driving innovation with multifunctional teams can benefit positively from the transformational components of Full Range Leadership. First National Bank is a large organisation driving innovation and operating with ten different business units, making use of MFT's. Based on the theory First

National Banks drive for innovation would be enhanced if the leaders of these MFT's demonstrated transformational leadership.

First National Bank with its many different business units and MFT's comprises a diverse collection of individuals, usually highly trained technical employees, who bring to the team strong beliefs and assumptions. These differences in perspective must evolve into new ideas and approaches rather than being allowed to derail the team from carrying out its search for innovative solutions. The efforts of MFT leaders in First National Bank to *innovate* must be coordinated with those of leaders and groups from the various functional areas represented by the team's members. The MFT leader and team almost invariably face pressure from upper management to hurry the groups efforts along. Dealing with these complications becomes the challenge for First National Banks MFT leaders. To succeed, a leader in First National Bank will require Full Range Leadership heavily weighted towards transformational leadership and less transactional leadership.

#### **4.3. The second way in which Full Range Leadership will help First National Bank drive innovation - The decision making model**

The second way in which Full Range Leadership (heavily weighted towards transformational leadership) will help First National Bank drive innovation, is in the decision making process practiced by the organisation.

Bass, et al., (1994:108) suggest, "decision making in large organisations does not occur in the neat linear order that complete rationality would dictate instead it is, erratic, cyclical, and political". The decision making process is likely to be more effective if decision makers are ready, willing, and able to move backwards as well as forwards in their efforts. The failure to put enough emphasis on the backward linkages can account for the demise of many organisations (Bass, et al., 1994).

The historical decision making process will now be discussed. This is followed by a discussion of Bass's decision making model. He (Bass, 1983) reviewed the available concepts and research on the subject and designed a model that better fits descriptions of how organizational decisions are actually made in large organisations. The model will then be

merged with the Four I's of transformational leadership to demonstrate the positive impact this will have on innovation in large organisations.

#### ***4.3.1. The historical decision making model***

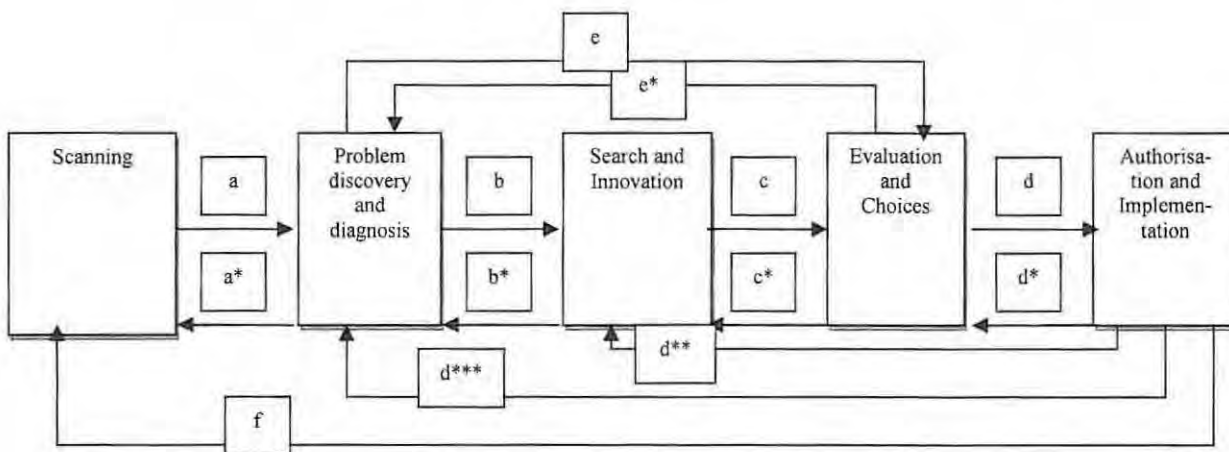
The information paradigm has not only changed the hierarchy in organizations, but also the way decisions within these organizations are made. Until approximately 1950, the orderly, forward moving, casual course of organizational decision making as conceived by Western philosophy was unchallenged (Bass, 1994, in Bass, et al., 1994). Hummel (1975) suggests that in this historical model, organisational decision makers were alert to problems that required solutions and decisions. The decision makers were responsible for actively scanning the external and internal environments of their organizations for such problems. For him (Hummel, 1975) the external environment included the organizations market and suppliers, as well as society. The internal environment included the process of personnel, production and service. Hummel (1975) suggests that as a problem became apparent, it was brought into sharper focus and affected parties would be noted. Once the problem was identified and judged to be important, interest in the problem and possible remedies followed from a diagnosis of the problem and the unmet goals involved. He (Hummel, 1975) suggests that this was followed by a logical search and innovation process to find solutions, from which one alternative was chosen based on a comparison of the expected effects of the available choices. Finally Hummel (1975) suggests authorization and commitment was sought to implement the solution.

Although such an information seeking and decision-making process would seem logical, an observation and experiment by MacCrimmon (1974, in Bass et al., 1994) found quite a different story about how such organizational decisions are made. It appears that the decision making process could begin at any phase, moving backwards and forwards from one phase to another and even skipping certain phases.

### 4.3.2. The decision making model

Like MacCrimmon (1974, in Bass et al., 1974), Bass (1983) also noticed that organisational decision making did not follow this logical process. He (Bass, 1983) reviewed the available concepts and research on the subject and designed a model that better fits descriptions of how organizational decisions are actually made in large organisations. This model is depicted in Figure 7 below.

Figure 7 - The decision making model



(Bass, et al., 1994:106)

- a Scanning detects a possible opportunity, threat, variance, or disturbance.
- a\* Diagnosis calls for more detailed information.
- b Discovery and diagnosis determine the direction and location of search.
- b\* Search and innovation lead to a redefinition of the problem, change in level of aspiration, and displacement of the ideal.
- c Search and innovation provide what is to be evaluated and chosen.
- c\* Evaluations and choices foreclose on what will be sought. Search is conducted to justify what already has been chosen as a solution.
- d Evaluation and choice must be authorized before being implemented.
- d\* Rejected authorization or failed implementation forces re-evaluation, redesign (d'') or redefinition (d''')

e Problem diagnosis determines the evaluation and choice, Search is eliminated. Problem solutions are given by the diagnosis.

e\* Evaluation and choice lead to modification in the diagnosis. What we want to do leads to the articulation of problems.

f Implementation experience changes scanning focus (Bass, et al., 1994:106)

As figure 6 shows, the decision process may begin at any phase. It may move backwards or forwards from one phase to another, and certain phases might be skipped altogether. Feedback from the advanced phase in the decision making process can stimulate a much earlier phase.

The phases and cause-and-effect linkages between the phases of this organisational decision making model are likely to be observed in differing amounts and with varying significance. When broken down into their component phases, different team and organizational decision making process will display more of some phases and linkages between phases than will others. Effective decisions will be described by patterns of such phases and linkages that are different from the patterns observed in ineffective decisions. Bass, et al., (1994:10) explain this concept when they say;

effective decision processes will spend amounts of time on each phase of the decision process that are consistent with the realistic needs of the problem involved. Ineffective decisions will be seen when some phases are given too much time and others too little. For example, to satisfy the whims of a senior executive, some decision makers will become ineffective by devoting too much time justifying a favourite solution to a problem rather than searching for and innovating new solutions.

Organisational and team decisions are likely to be most effective if characterized by strong forward linkages (a, b, c, d) with bursts of accompanying backward linkages (such as c\*, b\*, and a\*) and some stronger backward linkages (particularly d\*\*\*, and f) (Bass, et al., 1994). To be avoided in organizational decision making are many weak and missing linkages and erratic movements back and forth among the steps as occur in anarchic organizations (Bass, et al., 1994).

Bass, et al., (1994:111) give the following example of an effective decision process which they suggest is illustrated when scanning detects a lot of discontent in the organization about a new contract that the organization is obliged to service,

before taking any rash actions, management completes a series of interviews and telephone calls to obtain an idea about the pervasiveness of the discontent and details about its cause. A task force is convened to develop ways to deal with the plan. In its deliberations, the task force asks for more details before proceeding. Early on some members are convinced that the budget will need to be renegotiated with the client, but an early rush to judgment is avoided. Several alternatives are proposed. The choice is to convene a series of meetings between relevant client members and organizational members who are directly involved in the servicing. Diagnosis of the needs using individualized consideration is pursued. The choice is accepted in principal by the head of the service division, although she wants to see a proposed schedule and costs before authorizing the chosen solution. She also suggests the task force survey a representative group of service people to determine how willing they are to implement the proposal. Final approval and implementation then follows, along with a plan to monitor the proposals success.

#### ***4.3.3. Merging the model and the four I's of transformational leadership***

According to Bass, et al., (1994) each of the four I's has relevance for improving the problem solving and diagnosis process. They (Bass, et al., 1994) suggest *Individually considerate* leaders make sure that all parties to the problem are heard. *Intellectually stimulating* leaders reformulate with followers, colleagues, or superiors into more familiar and concrete terms what may have begun as an ill-structured, fuzzy problem. *Inspirational leaders* increase confidence and raise aspirational levels that the problem can be solved once its causes have been determined. This helps to depict a desirable future state that is worth pursuing, one that the inspirational leader convincingly articulates it to followers. Finally leaders with *idealised influence* show their concern about the problem and the need for its solution. They step into the future, creating a 'sense of becoming' in the organisation. Those followers who identify with the leader come to share the leaders concern. The problem may be personalised by the

leaders who have idealised influence. This will increase the readiness of followers to accept the problem as their own with an attitude of, 'we are in this together'.

#### ***4.3.4. The impact of a transformational decision making process on innovation within the organisation***

The transformational decision making process will have a positive impact on the innovation within large organisations (Bass, et al., 1994). According to them (Bass, et al., 1994) *Individually considerate* leaders can encourage balanced, well-distributed participation by followers in the search or innovation process. *Intellectually stimulating leaders*, except when making early use of brainstorming, will refuse to uncritically accept readily available but inadequate solutions. Instead they will strive for an optimal rather than a merely satisfactory alternative, encouraging others to do the same. *Inspirational* and *idealised influence leaders* are likely to increase the enabling and empowerment of their followers and their encouragement and commitment to the search for, or creation of, innovative optimal alternatives. This will result in, "innovative thinking and the acceptance of calculated risks will be encouraged. By envisioning what is needed, such leaders help to direct attention to the elements of consequence that are required for the best solution" (Bass, et al., 1994:117).

#### **4.4. Chapter summary**

The chapter integrated the theory of leadership and innovation as applied to First National Bank. Theory suggests Full Range Leadership will drive the level of innovation needed by large multi segmented organisation to survive in the new paradigm. This chapter identified two areas where full range leadership could drive innovation in First National Bank. These were the areas of multifunctional teams and organisational decision making. In both areas the positive impact of Full Range Leadership on the level of innovation was demonstrated by examining the impact of the four I's of full range leadership on both MFT's and organisational decision making. The main concepts in this research, namely, leadership and innovation have been discussed in chapter 3 and 4 respectively. It is now necessary to outline the methodology used to investigate the relationship between innovation and leadership within First National Bank.

## **CHAPTER 5 - METHODOLOGY**

### **5.1. Introduction**

This chapter describes the research methodology used in the investigation into the relationship between innovation and leadership in First National Bank. This will include the hypotheses, research design, population and sampling used in the study. The instrument used for data collection will be described in detail and a description of the data analysis and statistical techniques utilised in the study will be provided. Finally this chapter will highlight the ethical consideration that needed to be taken into account, as well as considering issues of reliability and validity.

### **5.2. Goals of the research and hypotheses**

Leedy (1993) explains that the formulation of research hypotheses is important for providing direction. They focus attention on the relationship to be tested and the variables to be measured. The main objective of the research is to investigate the relationship between leadership and innovation within First National Bank. The research hypotheses were thus formulated around this objective.

Bass (1983) suggests that the transformational and transactional leadership should have different effects on innovation within large organisations. Therefore two main hypotheses focusing on these two different styles of leadership have been formulated to test the relationship between grouped transformational leadership components and grouped transactional leadership components and innovation within First National Bank. Secondary objectives in the form of sub-hypotheses have also been formulated which investigate the eight individual components of transformational and transactional leadership - again to test whether there is a positive relationship between these individual leadership components and innovation within First National Bank. The four individual leadership components of transformational leadership are; idealised influence (comprising idealised attributes and idealised behaviours), individualised consideration, intellectual stimulation, and inspirational motivation (see 2.5.3.5.6. above - The individual components of transformational leadership).

The three individual leadership components of transactional leadership are; contingent reward, active management-by-exception, passive management-by-exception (see 2.5.3.5.2. - The individual components of transactional leadership).

The two main hypotheses are;

Ho: No statistically significant positive relationship exists between transformational leadership and the level of innovation in FNB.

Ha: A statistically significant positive relationship exists between transformational leadership and the level of innovation in FNB.

Ho: No statistically significant positive relationship exists between transactional leadership and the level of innovation in FNB.

Ha: A statistically significant positive relationship exists between transactional leadership and the level of innovation in FNB.

There are eight sub-hypotheses, the first five sub-hypotheses are concerned with the relationship between each individual transformational leadership component and the level of innovation in First National Bank;

Ho1: No statistically significant positive relationship exists between leaders who employ idealised attributes and the level of innovation in First National Bank.

Ha1: A statistically significant positive relationship exists between leaders who employ idealised attributes and the level of innovation in First National Bank.

Ho2: No statistically significant positive relationship exists between leaders who employ idealised behaviours and the level of innovation in First National Bank.

Ha 2: A statistically significant positive relationship exists between leaders who employ idealised behaviours and the level of innovation in First National Bank.

Ho3: No statistically significant positive relationship exists between leaders who employ individualised consideration and the level of innovation in First National Bank.

Ha3: A statistically significant positive relationship exists between leaders who employ individualised consideration and the level of innovation in First National Bank.

Ho4: No statistically significant positive relationship exists between leaders who employ intellectual stimulation and the level of innovation in First National Bank.

Ha4: A statistically significant positive relationship exists between leaders who employ intellectual stimulation and the level of innovation in First National Bank.

Ho5: No statistically significant positive relationship exists between leaders who employ inspirational motivation and the level of innovation in First National Bank.

Ha5: A statistically significant positive relationship exists between leaders who employ inspirational motivation and the level of innovation in First National Bank.

Sub hypotheses six, seven and eight are concerned with the relationship between the individual transactional leadership components and the level of innovation in First National Bank.

Ho6: No statistically significant positive relationship exists between leaders who employ contingent reward and the level of innovation in First National Bank.

Ha6: A statistically significant positive relationship exists between leaders who employ contingent reward and the level of innovation in First National Bank.

Ho7: No statistically significant positive relationship exists between leaders who employ active management-by-exception and the level of innovation in First National Bank.

Ha7: A statistically significant positive relationship exists between leaders who employ active management-by-exception and the level of innovation in First National Bank.

Ho8: No statistically significant positive relationship exists between leaders who employ passive management-by-exception and the level of innovation in First National Bank.

Ha8: A statistically significant positive relationship exists between leaders who employ passive management-by-exception and the level of innovation in First National Bank.

### **5.3. Research design**

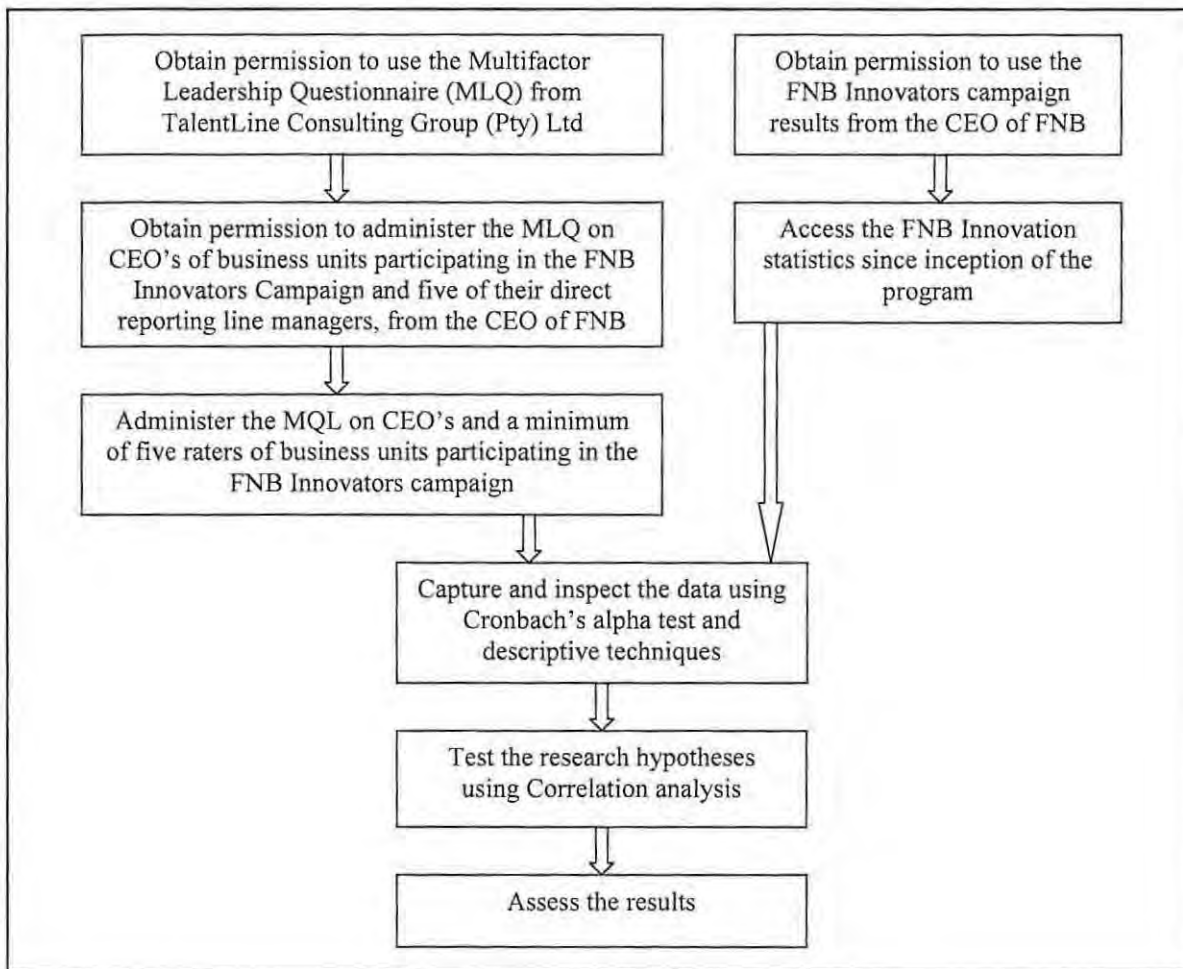
Leedy (1993:27) suggests that research design is, “the strategy, plan and structure of conducting the research project”. Similarly Babbie, et al., (2001) suggest a research design is

a plan or blueprint of how the researcher intends conducting the research and although the special details vary according to what the researcher wishes to study, there are two major aspects of research design - firstly you must specify as clearly as possible what you want to find out, secondly you must establish the best way to do it. What the researcher wishes to investigate has been clearly spelled out above (see 5.2. - Goals of the research). On the question of design, different research questions require different types of design or studies. Babbie, et al., (2001:75) suggests that,

because different research designs or types of research studies attempt to answer different types of research problems or questions, they end up employing different combinations of methods and procedures. The types of measurement, sampling, data collection and data analysis methods that researchers employ in a particular type of study, as well as the sequence in which they are employed, are determined by the research problem (question) and the kind of evidence that is required to address that problem.

Given the focus of this research, figure 8 below gives a diagrammatical representation of the research design employed.

**Figure 8 - The research design employed**



As is evidenced from the hypotheses that have been developed, and the research design, this research can be described as being of a quantitative nature, and involves the empirical testing of the hypotheses developed. Likewise, as evidenced from figure 8, the research is conducted in the post-positivist paradigm which according to Babbie, et al., (2001:22) “is a philosophical stance which sees a researcher as an objective analyst and an interpreter of social reality (critical realism), giving the former independence from the researched, criticality of evidence, and the ability to generalise”.

#### **5.4. Research population**

Babbie, et al., (2001:100) suggest that, “a population for a study is that group, usually of people about whom we want to draw conclusions”. Likewise Sekaran (2000) suggests that a

population is considered to be any group of people, events or things that are of interest to the researcher and that they wish to investigate.

For purposes of this research the population consists of the ten CEO's (business unit heads in FNB). These CEO's form the executive committee of First National Bank. The research question is whether a statistically positive relationship can be found between their respective leadership styles and the level of innovation in their First National Bank business units. Consequently a sample of CEO's was not chosen as it was the researcher intention to conduct a census study. A census study is a study that includes the whole population (Leedy, 1993). However it is necessary to discuss the sample as a census study was not achieved.

### **5.5. The sample**

A sample is a subset of the population in question and consists of a selection of members from the particular population (Sekaran, 2000). Sampling is described as the selection of a proportion of the total number of units of interest for the ultimate reason of being able to draw general conclusions about the total number of units (Parasuraman, 1986).

As mentioned it was the researcher's intention to achieve a census study of the CEO's of business units participating in the Innovations Campaign, however this was not possible as only six of the ten CEO's participating in the Innovations Campaign completed the leader MQL (see 5.6. - Data collection). It should be noted that of the four non-participating business units, 'Finance' and 'Brand' can be considered small in terms of people employed (see Figure 9 ).

Due to the nature of the research instrument used, there were two types of respondents, namely self-raters and objective-raters. The self-raters were the same as the population group namely the CEOs. The objective-raters were subordinates of the CEO's who were in a position to make a decision on the business unit heads leadership style and ability.

With regards to the raters a sample of raters (subordinates) were chosen to rate the self-rater (CEO). The researcher allowed the self-raters use their discretion in distributing the rater questionnaires to their raters, however two stipulations were put on the self-rater in choosing

the raters. The first was the rater had to report directly to the self-rater, and the second was there had to be a minimum of between three and five raters per self-rater respondent for the data to qualify for inclusion in the statistical analysis.

In terms of possible problems or constraints experienced during this sampling process, the main constraint in this process was the fact that the rater sample was chosen by the self-rater at their discretion. In other words for purposes of the rater sample, convenience sampling was used. Leedy (1993) suggests convenience sampling is chosen according to its availability to the researcher. This type of sampling technique can however present various problems in research as it makes no pretence at being representative of the population as a whole and bias's may occur if samples are chosen deliberately by an individual as this may lead to favouritism (Hussey and Hussey, 1997).

## **5.6. Data collection**

There are generally two recognised techniques of data collection, namely observation techniques and survey methods (Babbie, et al., 2001). Observation techniques relate to the direct examination of overt behaviour of the subject concerned (Cox, 1979, in Ristow, et al., 1999). Survey methods on the other hand require the active participation of the respondents, in that they involve the systematic gathering of data from respondents through the completion of questionnaires (Melville, 1996, in Ristow, et al., 1999). According to Ristow, et al., (1999), all previous research in the area of transformational leadership has made use of survey methods.

The selection of the survey method for this research was influenced by factors such as time, cost, the amount of data required, response rate, accuracy, flexibility and level of control. These factors dictated that observation techniques were not suitable for this research as assessing leadership behaviour through observation would be extremely time consuming.

Survey research is the administration of questionnaires to a sample of respondents selected from some population. These may be in the form of personal interviews, telephone interviews and postal interviews (Babbie, et al., 2001). Following widespread research on the topic of transformational and transactional leadership, an appropriate instrument was

identified, called the Multifactor Leadership Questionnaire. A consulting company known as TalentLine Consulting Group (Pty) Ltd made the Multifactor Leadership Questionnaire available to the researcher (see 5.7.1.below – Instruments used - the Multifactor Leadership Questionnaire).

The CEO of First National Bank was e-mailed and the purpose of the research was explained to him. He was requested to endorse the research and sign and forward a letter which the researcher had drafted to the self-raters. The letter explained the goals of the research and asked the self-raters to complete the questionnaires that the researcher would forward to them. Although the CEO agreed to allow the researcher to continue with the research, he was not prepared to send the above mentioned letter to the self-raters. However he (the CEO of FNB) did agree that if the researcher could persuade the self-raters and raters to participate, the researcher could continue with the research. It was therefore up to the researcher to persuade the self-raters and the raters to complete the questionnaires.

All the business unit CEO's (self-raters) participating in the Innovations Campaign were approached by the researcher either by phone call or e-mail (see Appendix 1). All correspondence had the researchers contact details included and the self-raters and raters were urged to contact the researcher if anything was unclear. The purpose of the research was explained to them and it was made clear to the self-raters that they as leaders would be requested to complete the questionnaire in which they judged their own leadership style. Additionally they (self-raters) would also have to ask five of their direct reporting lines managers to complete the questionnaire as raters. Raters, in turn, would be judging the leadership style of the self-rater. The confidentiality of the results were assured (see 5.10 – Ethical considerations). Self-raters and raters were requested to return their answers via First National Banks internal courier system.

Figure 9 below shows the success rate achieved by the researcher in getting the self-rater CEOs and five raters to participate in the research.

Figure 9 - CEO participation level

	Leader participated	Minimum of five raters participated	Persons employed by business unit	Staff employed by participating CEO
African Bank	Y	Y	2 895	2 895
Branch Bank	Y	Y	15 554	15 554
Brand	N	N	74	
Finance	N	N	673	
Commercial Bank	Y	Y	1 945	1 945
Corporate Bank	Y	Y	2 596	2 596
Personal Bank	N	3	6 184	
Public Sector	Y	Y	71	71
Smart Solutions	N	N	723	
Wealth Bank	Y	Y	1 383	1389
Total Staff			32 098 100%	24 450 76%

The results were mixed, with some self-raters agreeing immediately to participate and some declining to participate. Initially more self-raters declined to participate than agreed, but after discussions with the researcher, a total of six out of ten self-raters agreed to participate. The discussion below (see 5.10. - Ethical Considerations) below elaborates on some of the issues behind the initial low participation rate of the self-raters. It must be pointed out that these six participating self-raters represent 76% of the 32 098 staff members of First National Bank.

Once the respective self-raters had agreed to participate, a pack was sent to them (see Appendix 2) comprising a covering letter, the self-rater questionnaire and the rater questionnaire. The covering letter referred to the recent e-mail or telephone call between themselves and the researcher and again explained the purpose of the research, asked them to complete the leader questionnaire, and to hand the rater questionnaire to any five of their direct reporting line managers to complete as raters. A similar individual covering letter was also attached to each of the individual rater questionnaires in the pack. Self-raters and raters were responsible for returning the questionnaires to the researcher via the Banks internal courier system. A spreadsheet was set up by the researcher to keep track of all the responses as they came in (see Appendix 5 – Consolidated MLQ answer spreadsheet). This helped with

follow-ups to respondents who did not return their questionnaires, and thank you correspondence to respondents once their questionnaires were received.

## **5.7. Instruments used**

### ***5.7.1. Instruments used - The Multifactor leadership questionnaire (MLQ)***

The literature review on leadership in the new paradigm (see 2.5 – Leadership in the new paradigm) argued that Full Range Leadership Development Theory is an appropriate theoretical construct of leadership for this research (Bass, et al., 1997). Following widespread research on the topic of transformational and transactional leadership, an appropriate instrument was identified, called the Multifactor Leadership Questionnaire (MLQ). A consulting company known as TalentLine Consulting Group (Pty) Ltd made the Multifactor Leadership Questionnaire available to the researcher.

The MLQ is based on Full Range Leadership Development Theory (Bass, et al., 1997). It has been modified and tested since 1985 with the result that various forms, or versions, of the questionnaire have been developed. The latest form, Form 5X (Revised) was used in this study. This revised MLQ 5X is a short but comprehensive survey of 45 statements that identify and measure the key aspects of leadership and effectiveness behaviours shown in previous research to be strongly associated with both individual and organisational success (Bass, et al., 1997).

Each statement corresponds to one of the nine components of either transformational, or transactional leadership. The respondent is required to judge how frequently the behaviour described in the statement is exhibited. The MLQ uses a scale of 0 to 4, with 0 indicating a “not at all” rating of the behaviour described in the statement. At the other end of the scale, 4, indicates a “frequently if not always” rating of the behaviour described in the statement (Bass, et al., 1997).

The MLQ consists of a self-rater and a rater version. These two versions consist of exactly the same statements, except that they are written from different perspectives. The self-rater

for example would be given the statement, “I place trust in those I lead”, whereas the rater’s questionnaire would say, “My leader places trust in those that he or she leads”.

The self-raters completed the self-rater MLQ, by rating themselves in terms of the transformational and transactional leadership components. Raters then completed the rater version of the same questionnaire rating the self-raters on the same leadership components. The self-rater is thus rated objectively by his raters in terms of the same criteria on which they rated themselves. In order to gain an accurate picture of the self-raters ability, the rater MLQ must be completed by three to five respondents (Bass, 1985). The answers are then marked by using the MLQ scoring key (see - Appendix 3).

#### *5.7.1.1. Reliability and validity of the multifactor leadership questionnaire*

Researchers need to use well validated and reliable measures to ensure that they engage in scientific research (Sekaran, 2000). When evaluating or formulating a specific instrument, reliability and validity are two of the most important aspects to be considered (Booth, 1995). The results of any research can only be as good as “the measures that tap the concepts in the theoretical framework” (Sekaran, 2000:209).

“Reliability refers to the likelihood that a given measurement procedure will yield the same description of a given phenomenon if that measurement is repeated” (Babbie, et al., 2001:125). Sekaran, (2000: 209), suggests that, “the reliability of a measure indicates the extent to which the measure is without bias (error free) and hence offers consistent measure across time and across the various items in the instrument”. In other words, the reliability of a measure indicates the stability and consistency with which the instrument measures the concept and helps to assess the “goodness” of a measure. A validity measure accurately measures the variable and actually measures the concept that is intended to be measured (Sekaran, 2000). The tool chosen in this research is the MLQ, which therefore must accurately and actually measure the level of transformational and transactional leadership in the different business units within First National Bank.

For purposes of this investigation Cronbach’s Alpha reliability coefficients were conducted on the MLQ to determine the reliability of the MLQ instrument for the purposes of this

research (see 6.2. – Cronbach's alpha reliability coefficient scores for the MLQ). The Cronbach's alpha test is a test for the reliability of a measure and is established by testing for both consistency and stability. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. Cronbach's alpha is computed in terms of the average inter-correlations among the items measuring the concept. The closer the Cronbach's alpha is to 1, the higher the internal consistency and reliability (Radloff, 2009).

Cronbach's alpha reliability coefficients have been used in a previous study by Ackerman, et al., (2000) to determine the reliability of the three main leadership scales of transformational, transactional and non-transactional. Results yielded scores of 0.944, 0.736 and 0.803 respectively. The factor structure developed by Bass (1985) was largely confirmed by the results of this study by Ackerman, et al., (2000).

Validity refers to, "the extent to which a specific measurement provides data that relates to commonly accepted meanings of a particular concept" (Babbie, et al., 2001:125). Fortunately measures have been developed for many important concepts in organisational research, and their psychometric properties (ie validity and reliability) have been established by their developers. Sekaran (2000) suggests that in these cases researchers can use the instruments already reported to be "good", rather than laboriously develop their own measures. Similarly, Babbie, et al., (2001) suggest replication works of original studies in other situations are regarded as acceptable ways of insuring reliability and validity. Therefore reliability and validity will have been proven in the original study and as long as no major changes are made to the original methodology, the reliability and validity of the study are accepted.

This research is, in essence, a replication of original studies completed by authors such as Bass (1995), Hater and Bass (1988), Pruijn and Boucher (1994), Ristow (1999), Botha (2001) and Hayward (2005) in which the reliability and validity of the MLQ was proven. In these studies Bass (1995), Hater, et al., (1988) and Pruijn, et al., (1994) used the MLQ to obtain information about leadership style.

In a South African context, Ristow, et al., (1999) investigated leadership in cricket administration in South Africa, Botha (2001) investigated leadership, internal quality and customer satisfaction in a South African motor dealership, and Haywood (2005) investigated

employee performance, leadership and emotional intelligence in a South African parastatal organisation. All these studies, Ristow, et al., (1999), Botha (2001), and Haywood (2005) found the MLQ has proved itself time and again in a number of different international studies. According to Ristow, et al., (1999) these studies would include the seminal work of Bass (1985) where he evaluated senior United States military officers, Selzer, Numerof and Bass (1987) who investigated college presidents, and Yammarino and Bass (1990) who describing the leadership behaviours of business supervisors.

The MLQ has also been tested in the South African context where the questionnaire was used to determine whether the factor structure of the MLQ, as a measure of transformational leadership, could be replicated within the South African context. The factor structure as developed by Bass (1985), was largely confirmed by the results of this study (Ackerman, Scheepers, Lessing and Dannhauser, 2000). The results indicated that the MLQ was reliable and viable for use in the South African context.

#### ***5.7.2. Instruments used – the FNB innovators campaign results***

It has been shown under the discussion above on innovation (see 3.3.1. – The vision of First National Bank and the role of innovation) that First National Banks definition of innovation includes the idea and implementation of large and small, frame bending or frame breaking process, product improvements , and product inventions.

In judging the campaign, records are kept of the following results per business unit (see Appendix 4 – First National Bank innovators campaign results);

- Rolled over ideas from previous year
- New ideas logged in competition year
- Archived ideas
- Total ideas per competition year
- Implemented approved ideas

These results were provided to the researcher by the office of the CEO of First National Bank and have been used as a measure of the level of innovation being generated in each business unit.

Although the results for the Innovations Competition were provided since inception (ie 2005 to 2008), it was decided to use only the 2008 results. This was motivated mostly because of a recent structural change which saw two CEO's swop positions eight months prior to the research beginning (see 7.4. - Limitations of the research).

### **5.8. Data capture**

Once the questionnaires were completed by the self-raters and raters they were returned to the researcher individually via the Banks internal courier system. The researcher then marked the answer sheets (see Appendix 3 – MLQ scoring key) and captured the scores into a Microsoft Excel spreadsheet in order to be statistically analysed (see Appendix 5 – Consolidated MLQ answer spreadsheet). These scores were then imported into STATISTICA (data analysis product) for analysis.

### **5.9. Statistical analysis**

Once the data was imported into the STATISTICA spreadsheet, the researcher proceeded to calculate the necessary leadership factors or scales as per the MLQ scoring key as provided by TalentLine Consulting (Pty) Ltd. The factor scores were calculated for each respondent by using the sum of the relevant questions. From these eight factors a further two factors were generated, namely transformational leadership and transactional leadership.

The goal of this research is to investigate whether there is a relationship between the two quantitative variables of leadership and innovation within First National Bank. "In a research project that includes several variables, beyond knowing the means and standard deviations of each of the variables, one often would like to know how one variable is related to another" (Sekaran, 2000:40). Pelosi and Sandifer (2000) suggest that the two topics of regression analysis and correlation analysis are related but not interchangeable. Both regression and correlation analysis deal with bivariate quantitative data and the relationship between these two variables. Pelosi, et al., (2000:570) explain the difference when they say, "the main purpose of regression analysis is to find an equation or model that allows the decision maker to predict the value of the dependant variable. On the other hand correlation analysis simply

measures the strength of the relationship between two quantitative variables. The output of the analysis is a single number. In correlation analysis, there is no need to identify which variable is dependant and which is independent, since prediction is not the end result". Lind, Marchal and Wathen (2005:430) describe correlation analysis as, "a group of techniques used to measure the association between two variables".

If one simply wants to measure the strength of a relationship between two variables, one uses the correlation coefficient (Pelosi, et al., 2000). Originated by Karl Pearson in about 1900, the correlation coefficient (designated  $r$ ) is used as a measure of the strength of a linear relationship (Lind, et al., 2005). A correlation of -1 corresponds to a perfect negative relationship, a correlation of 0 corresponds to no relationship, and a correlation of +1 corresponds to a perfect positive relationship (Sekaran, 2000).

Correlation however must not be confused with causality. The presence of a large correlation coefficient between  $X$  and  $Y$  does not imply that  $X$  causes  $Y$ , or that  $Y$  causes  $X$  (Lind, et al., 2005). The linear relationship between the two variables may have no physical basis whatsoever. Relationships such as these are called spurious correlations (Lind, et al., 2005). What can be concluded when two variables with strong correlations are found is that there is a relationship or association between two variables, not that a change in one causes a change in the other (Lind, et al., 2005). In other words one may find a strong correlation, but this may be due to chance because the computed  $r$  came from a population of paired observations with zero correlation.

To answer the question "could there be a zero correlation in the population from which the sample was selected?" one can interpret the test of hypothesis in terms of p-values. A p-value is, "the likelihood of finding a value of the test statistic more extreme than the one computed, where  $H_0$  is true" (Lind, et al., 2005:439). Thus the p-value provides a measure of significance of the correlation, giving an idea of the probability of the correlations actual existence or significance (Byrkit, 1987).

The researcher generated two main hypotheses and eight sub-hypotheses. The hypothesis to be tested is called the alternative hypothesis and is denoted by  $H_a$ . The opposite hypothesis that nullifies the alternative hypothesis is called the null hypothesis and is denoted by  $H_0$ . In hypothesis testing there are two possible decisions that can be reached on the basis of the

sample data. They are to reject  $H_0$  and conclude that there is sufficient evidence to support  $H_a$ , that is  $H_a$  is accepted. Alternatively fail to reject  $H_0$  and conclude that there is insufficient evidence to support  $H_a$ .

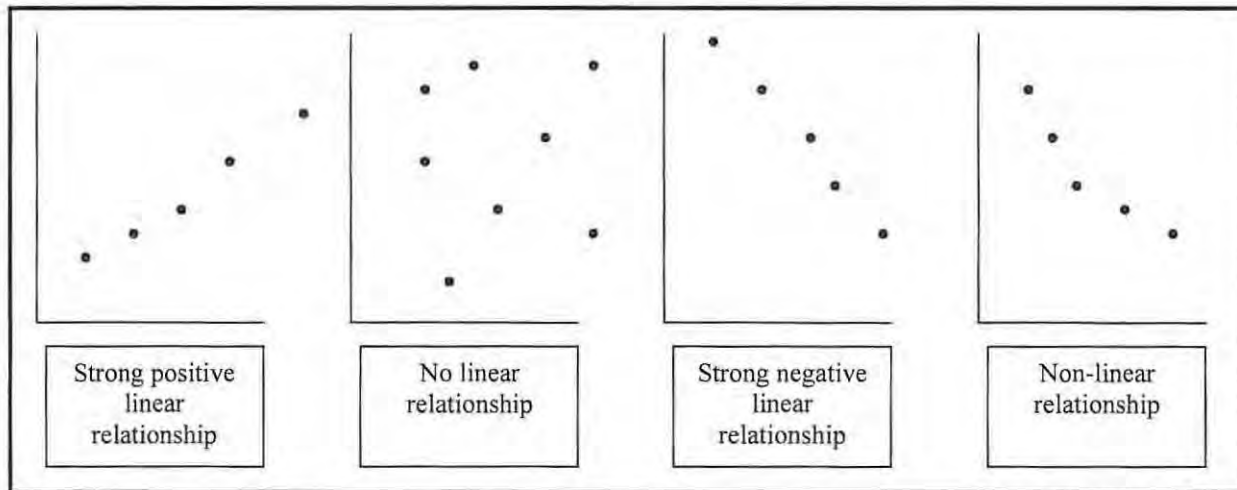
If one rejects  $H_0$  when  $H_0$  is true, the researcher is considered to have committed a Type 1 error (Radloff, 2007). The probability of committing a type one error is denoted by the Greek symbol  $\alpha$  and is called the *level of significance* (Radloff, 2007). A decision on whether  $H_0$  should be rejected can be made by using the p-value. The p-value is the smallest value of  $\alpha$  for which  $H_0$  can be rejected. This researcher has elected to use the 0.05 level of significance (Radloff, 2007).

Therefore in this research, when analysing the results produced by STASTICA, with four degrees of freedom and at a level of significance of 0.05, the researcher will accept or reject the null hypothesis ( $H_0$ ) on the following basis;

- If p-value < 0.05 reject  $H_0$  (and conclude that there is sufficient evidence to support  $H_a$ , that is  $H_a$  is accepted)
- If p-value > 0.05 fail to reject  $H_0$  (and conclude that there is insufficient evidence to support  $H_a$ ).

Additionally descriptive statistics in the form of scatter plots will be used to further interpret and understand the data. Descriptive statistics summarise properties of data using numerical measures or graphs. “All these techniques generally have one common purpose, to summarise both variability (ie the spread of the numbers) and the centre of the data. Graphical techniques provide a visual means of assessing spread and centre of data distributions as well as providing a good overall view of the distributions of data” (Radloff, 2007:1). A scatter plot allows one to visually assess the kind of relationship that exists between two numeric variables (Lind, et al., 2005). The scatter plots in figure 10 below show the different kinds of relationships that could exist between two variables.

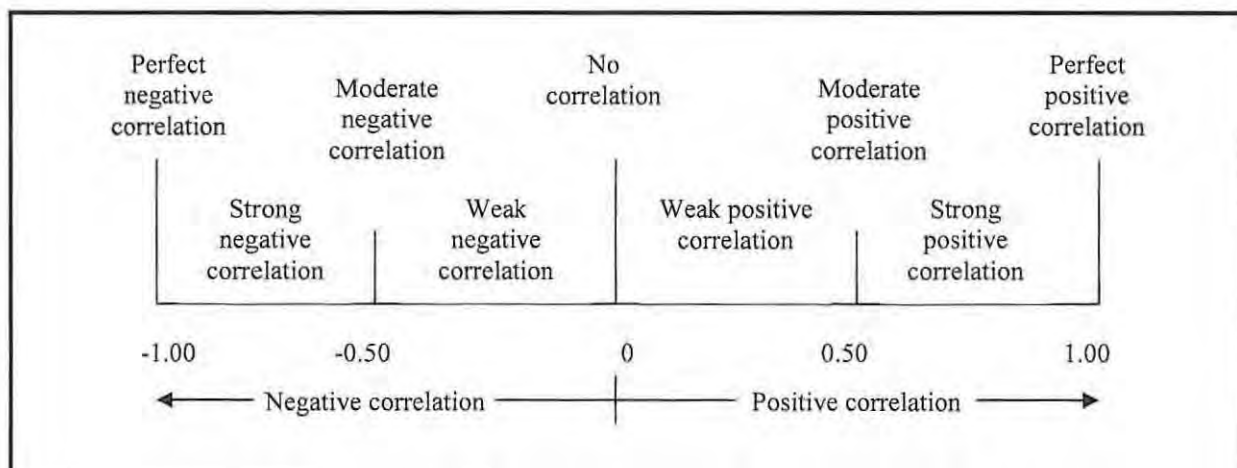
Figure 10 - Scatter plot relationships



(Radloff, 2007:55)

Note that if the correlation is weak, there will be considerable scatter around the line drawn through the centre of the data. For a scatter diagram representing a strong relationship, there is very little scatter around the line (Radloff, 2007). Figure 11 below summarises the strength and direction of the co-efficient of correlation.

Figure 11 - Strength and direction of co-efficient of correlation



(Lind, et al., 2005:433)

## **5.10. Ethical considerations**

The “Innovators campaign” within First National Bank is being driven by the CEO of the Bank and considerable human and financial resources have been allocated to the Innovators Campaign. Given his interest in innovation within First National Bank, the CEO of the Bank has expressed his interest in the results of this research and has asked the researcher to provide him with a copy of the executive summary.

In requesting the self-raters of the various Business Units to participate in the research, the interest expressed by the CEO of the Bank in this research was communicated to the various self-raters. This could result in anxiety amongst the self-raters, in that the CEO of the Bank would have insight into their leadership style and the level of innovation within their Business Unit. Likewise from the raters point of view, the fact that convenience sampling was used (see 5.5 - The sampling) where the self-raters were asked to distribute the questionnaire to five of their raters, could have caused concern amongst the raters in that they might have felt the self-rater would know how they (the raters) had rated them. To overcome these concerns the descriptive statistics and the results from the STASTICA analysis are presented in such a way that self-raters and raters cannot be pinpointed to specific ratings or results. This was communicated to both the self-raters and raters when the researcher approached them both initially in the original telephone call and/or e-mail (see Appendix 1 – Initial e-mail sent to self-raters), and subsequently in writing in the Packs sent to the self-raters and raters (see Appendix 2 – Pack sent to self-raters and raters).

## **5.11. Chapter summary**

This chapter has presented the methodology of the research and the process of data collection and analysis used in this research. Initially the two main hypotheses and eight sub-hypotheses and the design of the research were stated and outlined. Information regarding the population size and the number of participants included in the final statistical analysis was presented. An overview of the data collection method was then given. The reliability and validity, of the main instrument used in this research (the MLQ) was then discussed in detail. Additionally the proposed statistical analysis of the respective hypotheses was explained. Finally ethical

considerations that needed to be taken into account when conducting the actual data gathering, was discussed.

The previous chapters discussed the theoretical background of the research topic, and this chapter discussed the research process and methods of obtaining the relevant information. The following chapter will present the results obtained from the correlation analysis and descriptive statistics in an attempt to test the various research hypotheses.

## CHAPTER 6 – RESULTS

### 6.1. Introduction

The goal of this research is to investigate the relationship between innovation and leadership in First National Bank. This chapter will present the results obtained from the Cronbach's alpha reliability coefficients test. The Cronbach's alpha reliability coefficients are calculated to estimate the reliability of the MLQ for the purposes of this research. This is followed by a correlation analysis and descriptive statistics for the two main hypotheses focusing on the relationship between the grouped transformational leadership components and the grouped transactional leadership components and the level of innovation within First National Bank. Finally there will be a similar presentation on the eight sub-hypotheses which investigate the eight individual components of transformational and transactional leadership and the level of innovation within First National Bank.

### 6.2. Cronbach's alpha reliability coefficient scores for the MLQ

Cronbach's alpha reliability coefficients were calculated to determine the reliability of the MLQ instrument for purposes of this research. The Cronbach's alpha reliability coefficients for the transformational and transactional leadership factors are given in the table below.

Table 3 - Cronbach's alpha for transformational and transactional leadership factors

Leadership Factors	Mean	Standard Deviation	Cronbach's Alpha reliability coefficients	Evaluation based on Sekaran (2000)
Transformational leadership factors	52.3333	7.29936	0.881734	Good
Transactional leadership factors	24.062	4.98991	0.44449	Poor

For purposes of this research, the MLQ is a reliable measure of transformational leadership but a poor measure of transactional leadership.

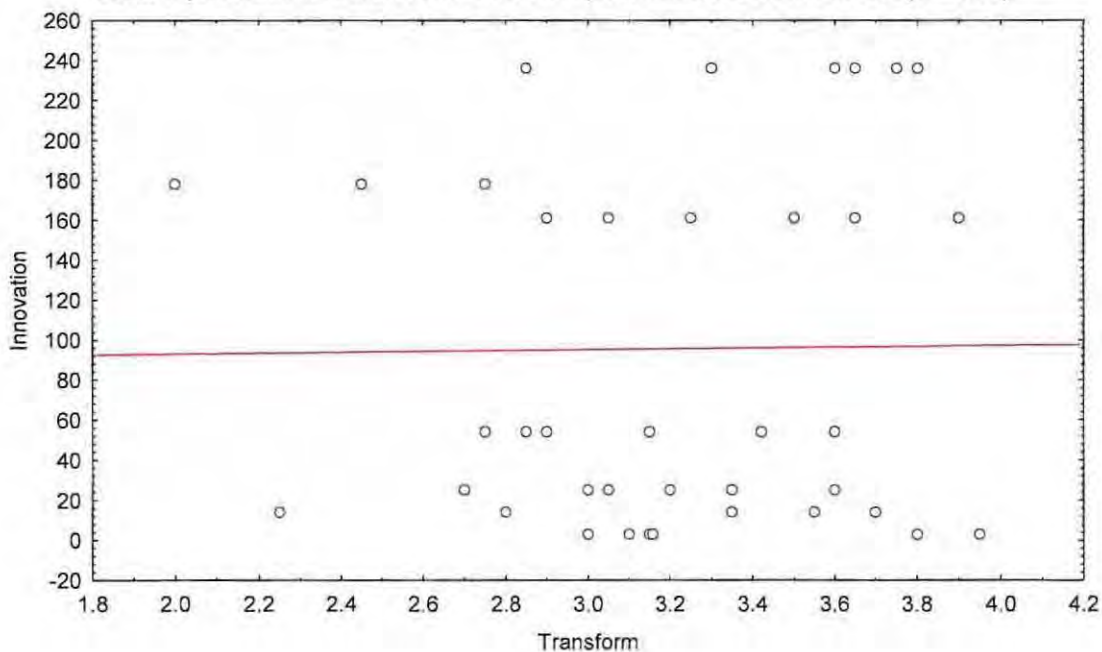
However, as mentioned under the discussion on reliability (see 5.7.1.1 – Reliability and validity of the MLQ), Babbie, et al., (2001) suggest replication works of original studies in other situations are regarded as acceptable ways of insuring reliability and validity. Therefore reliability and validity will have been proven in the original study and as long as no major changes are made to the original methodology, the reliability and validity of the study are accepted.

### 6.3. Testing the main hypotheses

#### 6.3.1. Grouped transformational leadership factors and innovation in First National Bank

Figure 12 - Scatter plot - transformational leadership and innovation

Scatter plot of Transformational leadership and Innovation for 2008. ( $\alpha = 0.05$ )



**Table 4 - Correlation analysis - transformational leadership and innovation**

Correlation Analysis - Transformational Leadership and Innovation	
FNB Innovation year	2008
<i>r</i>	0.0121
<i>p</i>	<i>p</i> =0.47

From the result of the scatter plot in Table 6 it is evident that there is a weak positive correlation between the transformational leadership style and the level of innovation in First National Bank. This weak relationship is confirmed by the low correlation coefficient ( $r = 0.0121$ ). Additionally the *p*-value is  $0.47 > 0.05$  so the researcher must fail to reject  $H_0$  which hypothesises that no statistically significant positive relationship exists between transformational leadership and the level of innovation in FNB. By failing to reject  $H_0$  the researcher must conclude that there is insufficient evidence to support  $H_a$ . *Therefore no statistically significant positive relationship exists between transformational leadership and the level of innovation in FNB.*

### 6.3.2. Grouped transactional leadership and innovation in First National Bank

Figure 13 - Scatter plot - transactional leadership and innovation

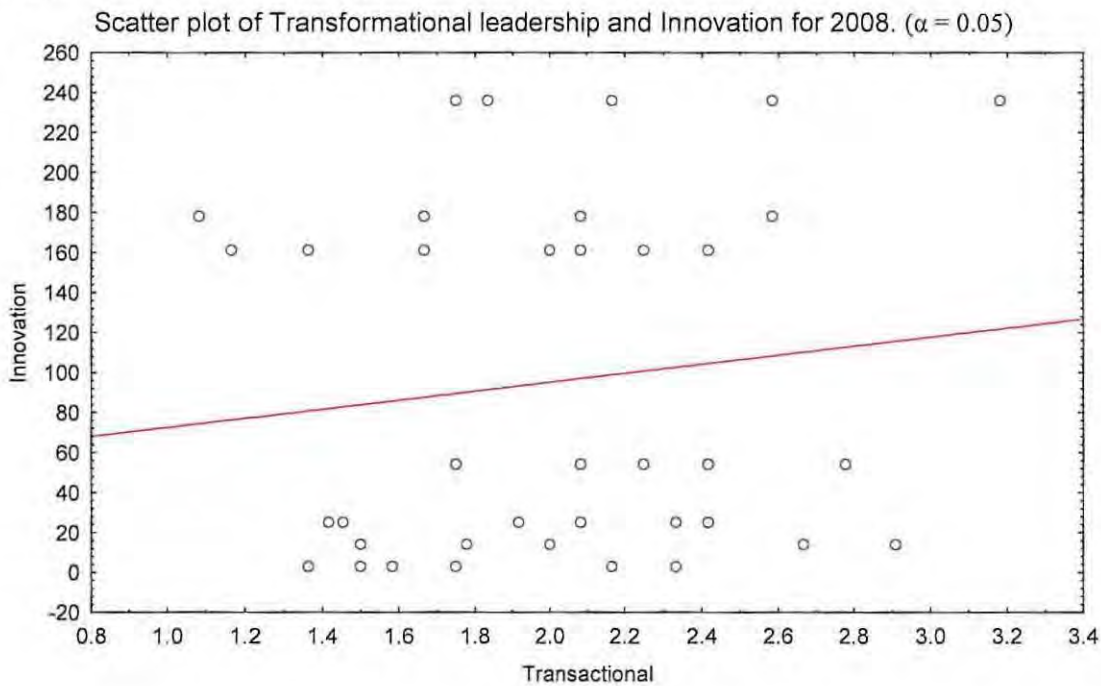


Table 5 - Correlation analysis - transactional leadership and innovation

Correlation Analysis - Transactional Leadership and Innovation	
FNB Innovation year	2008
<i>r</i>	0.1263
<i>p</i>	p=0.218

From the result of the scatter plot in Table 9 it is evident that there is a weak positive correlation between the transactional leadership style and the level of innovation in First National Bank. This is confirmed by the low correlation coefficient ( $r = 0.1263$ ). Additionally the *p*-value of  $0.218 > 0.05$  so the researcher must fail to reject  $H_0$  which hypothesises that no statistically significant positive relationship exists between transactional leadership and the level of innovation in FNB. By failing to reject  $H_0$  the researcher must conclude that there is insufficient evidence to support  $H_a$ . *Therefore no statistically significant positive relationship exists between transactional leadership and the level of innovation in FNB.*

## 6.4. Testing of sub-hypotheses

The results of the eight sub-hypotheses will now be presented. The first five sub-hypotheses are concerned with the relationship between each of the transformational leadership components and the level of innovation in First National Bank.

### 6.4.1. Sub-hypothesis 1 - Idealised Attributes and Innovation in First National Bank

Figure 14 - Scatter plot - idealised attributes and innovation

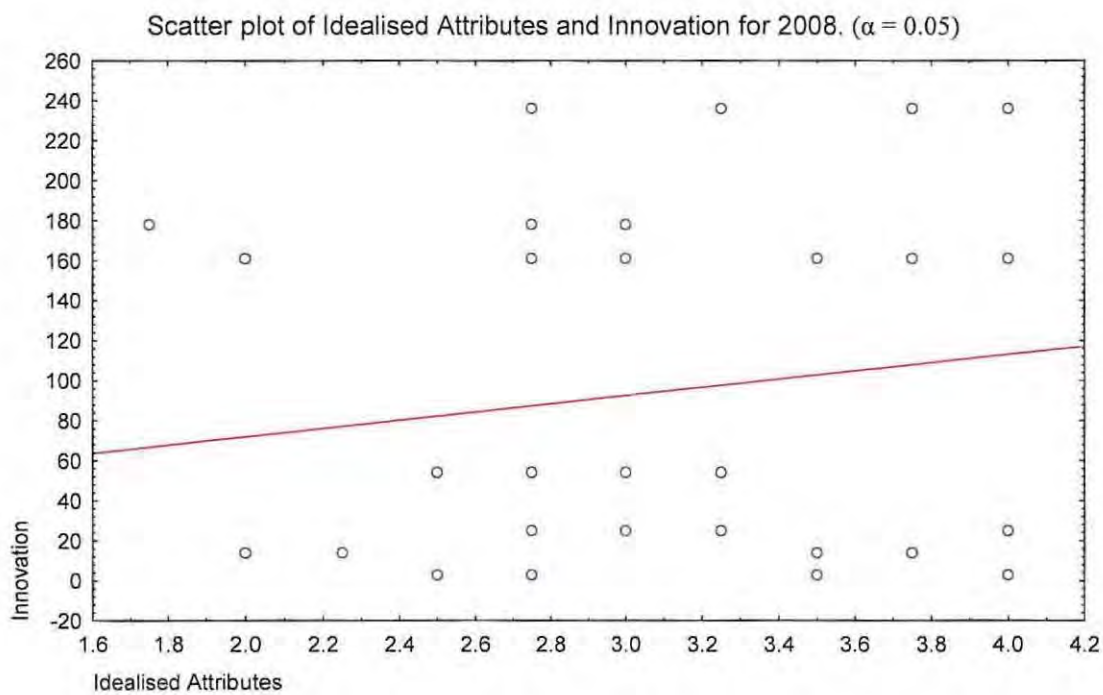


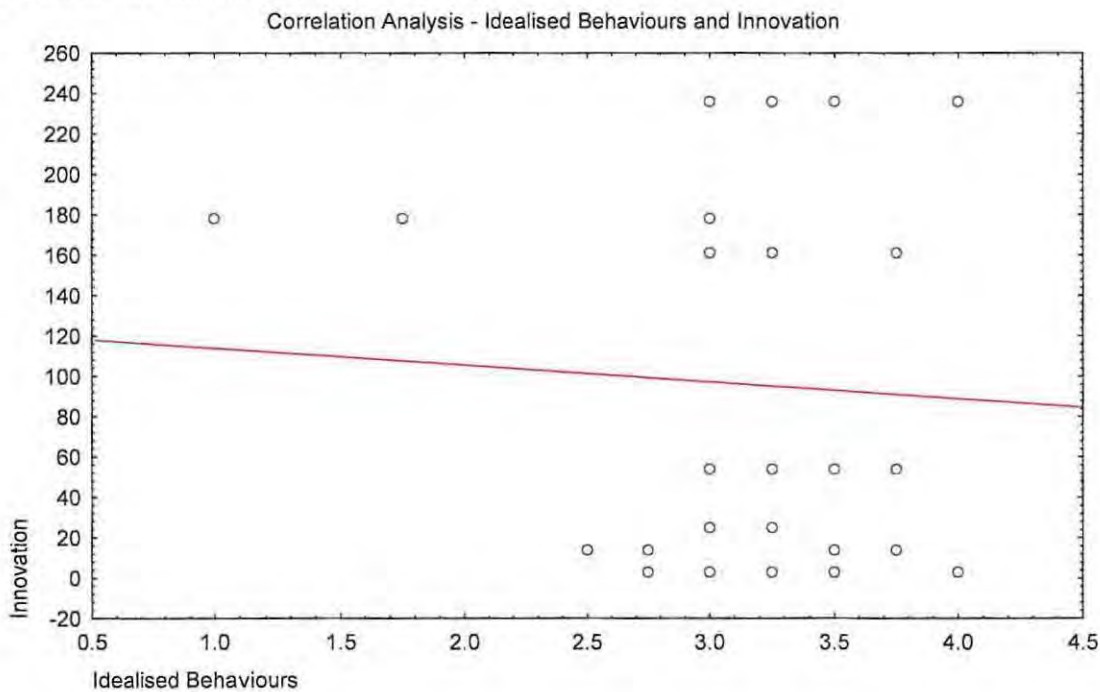
Table 6 - Correlation analysis - idealised attributes and innovation

Correlation Analysis – Idealised Attributes and Innovation	
FNB Innovation year	2008
<i>r</i>	0.1554
<i>p</i>	<i>p</i> =0.172

From the result of the scatter plot in Table 10 it is evident that there is a weak positive correlation between idealised attributes and the level of innovation in First National Bank. This is confirmed by the low correlation coefficient ( $r = 0.1554$ ). Additionally the p-value of  $0.172 > 0.05$  so the researcher must fail to reject  $H_0$  which hypothesises that no statistically significant positive relationship exists between idealised attributes and the level of innovation in FNB. By failing to reject  $H_0$  the researcher must conclude that there is insufficient evidence to support  $H_a$ . *Therefore no statistically significant positive relationship exists between idealised attributes and the level of innovation in FNB.*

**6.4.2. Sub-hypothesis 2 - Idealised Behaviours and Innovation in First National Bank**

**Figure 15 - Scatter plot - idealised behaviours and innovation**



**Table 7 - Correlation analysis - idealised behaviours and innovation**

Correlation Analysis – Idealised Behaviours and Innovation	
FNB Innovation year	2008
$r$	0.0160
$p$	$p=0.461$

From the result of the scatter plot in Table 12 it is evident that there is a weak negative correlation between idealised behaviours and the level of innovation in First National Bank. This is confirmed by the low correlation coefficient ( $r = -0.0160$ ). Additionally the p-value of  $0.461 > 0.05$  so the researcher must fail to reject  $H_0$  which hypothesises that no statistically significant positive relationship exists between idealised behaviours and the level of innovation in FNB. By failing to reject  $H_0$  the researcher must conclude that there is insufficient evidence to support  $H_a$ . *Therefore no statistically significant positive relationship exists between idealised behaviours and the level of innovation in FNB.*

### 6.4.3. Sub-hypothesis 3 - Individualised Consideration and Innovation in First National Bank

Figure 16 - Scatter plot - individualised consideration and innovation

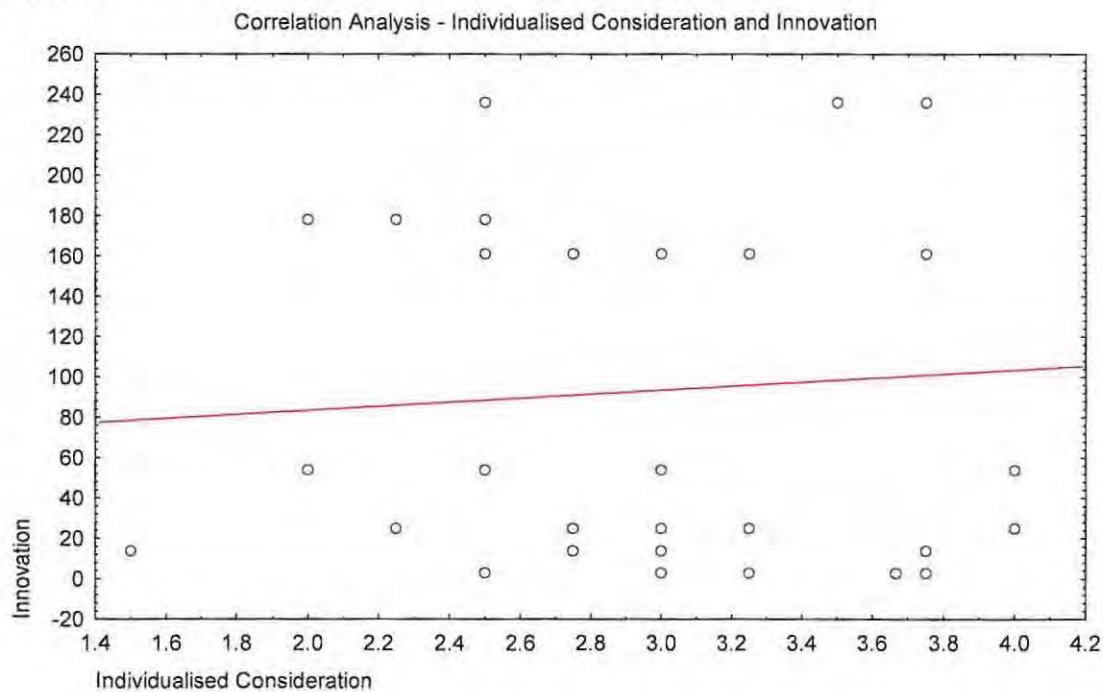


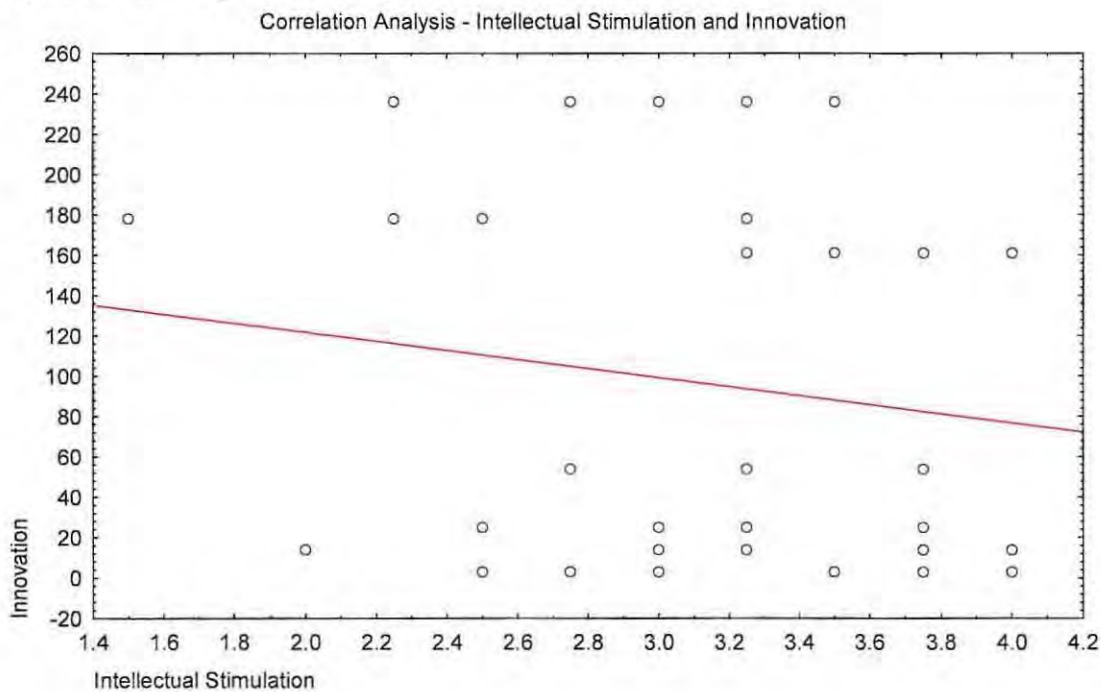
Table 8 - Correlation analysis - individualised consideration and innovation

Correlation Analysis – Individualised Consideration and Innovation	
FNB Innovation year	2008
$r$	0.0699
$p$	$p=0.336$

From the result of the scatter plot in Table 15 it is evident that there is a weak positive correlation between individualised consideration and the level of innovation in First National Bank. This is confirmed by the low correlation coefficient ( $r = 0.0699$ ). Additionally the p-value of  $0.336 > 0.05$  so the researcher must fail to reject  $H_0$  which hypothesises that no statistically significant positive relationship exists between individualised consideration and the level of innovation in FNB. By failing to reject  $H_0$  the researcher must conclude that there is insufficient evidence to support  $H_a$ . *Therefore no statistically significant positive relationship exists between individualised consideration and the level of innovation in FNB.*

**6.4.4. Sub-hypothesis 4 - Intellectual Stimulation and Innovation in First National Bank**

**Figure 17 - Scatter plot - intellectual stimulation and innovation**



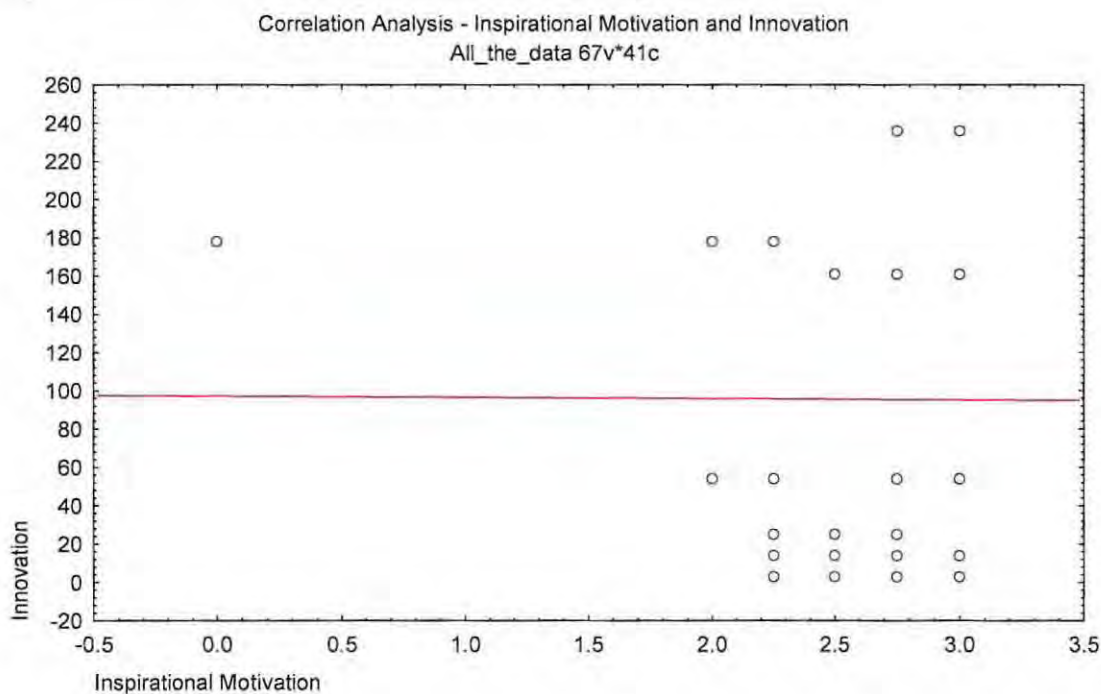
**Table 9 - Correlation analysis - intellectual stimulation and innovation**

Correlation Analysis – Intellectual Stimulation and Innovation	
FNB Innovation year	2008
$r$	-0.0887
$p$	$p=0.295$

From the result of the scatter plot in Table 17 it is evident that there is a weak negative correlation between intellectual stimulation and the level of innovation in First National Bank. This is confirmed by the mildly negative correlation coefficient ( $r = -0.0887$ ). Additionally the p-value of  $0.295 > 0.05$  so the researcher must fail to reject  $H_0$  which hypothesises that no statistically significant positive relationship exists between intellectual stimulation and the level of innovation in FNB. By failing to reject  $H_0$  the researcher must conclude that there is insufficient evidence to support  $H_a$ . *Therefore no statistically significant positive relationship exists between intellectual stimulation and the level of innovation in FNB.*

**6.4.5. Sub-hypothesis 5 - Inspirational Motivation and Innovation in First National Bank**

**Figure 18 - Scatter plot - inspirational motivation and innovation**



**Table 10 - Correlation analysis - inspirational motivation and innovation**

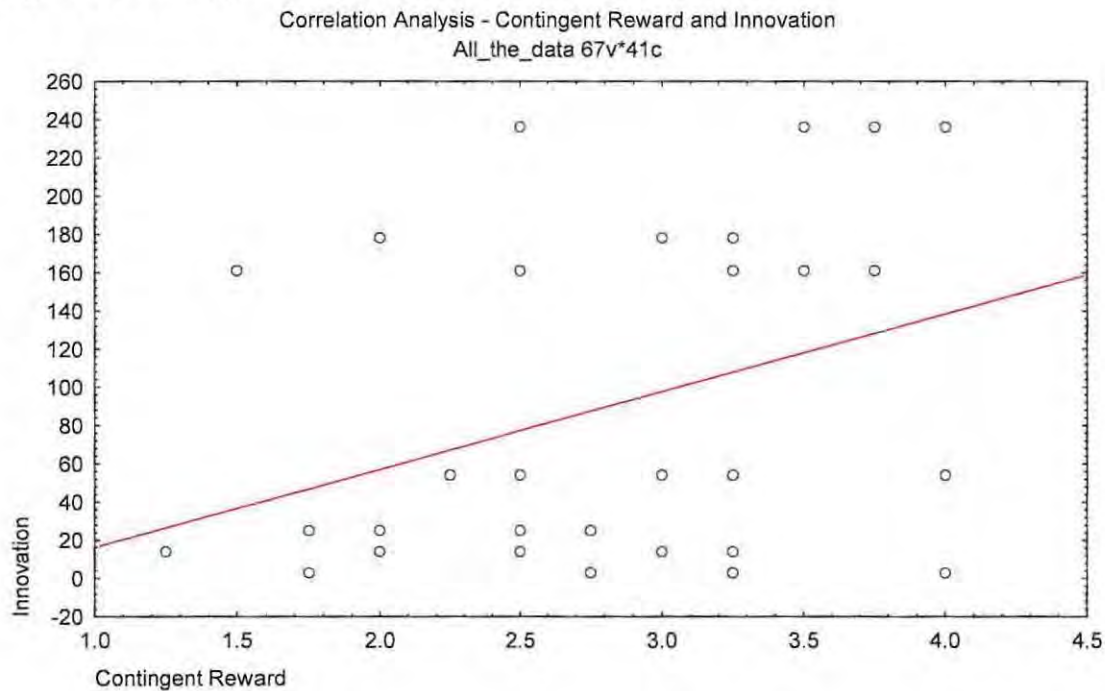
Correlation Analysis – Inspirational Motivation and Innovation	
FNB Innovation year	2008
$r$	0.1988
$p$	$p=0.112$

From the result of the scatter plot in Table 19 it is evident that there is a weak positive correlation between inspirational motivation and the level of innovation in First National Bank. This is confirmed by the low correlation coefficient ( $r = 0.1988$ ). Additionally the p-value of  $0.112 > 0.05$  so the researcher must fail to reject  $H_0$  which hypothesises that no statistically significant positive relationship exists between inspirational motivation and the level of innovation in FNB. By failing to reject  $H_0$  the researcher must conclude that there is insufficient evidence to support  $H_a$ . *Therefore no statistically significant positive relationship exists between inspirational motivation and the level of innovation in FNB.*

Sub hypotheses six, seven and eight are concerned with the relationship between each of the transactional leadership components and the level of innovation in First National Bank.

**6.4.6. Sub-hypothesis 6 - Contingent Reward and Innovation in First National Bank**

**Figure 19 - Scatter plot - contingent reward and innovation**



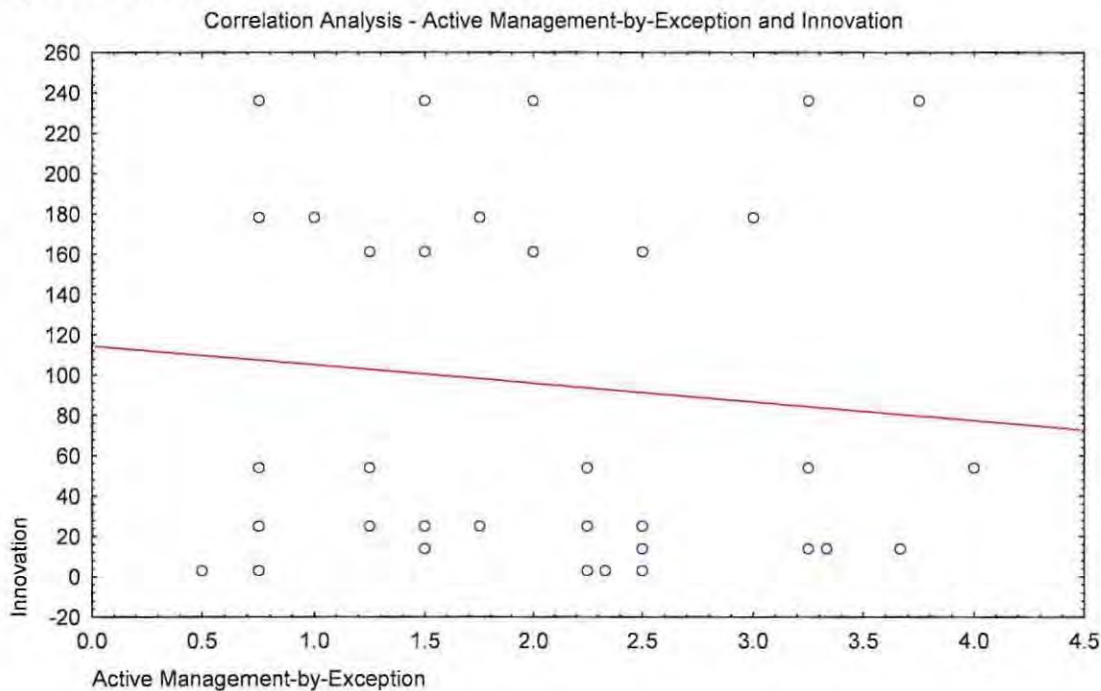
**Table 11 - Correlation analysis - contingent reward and innovation**

Correlation Analysis – Contingent Reward and Innovation	
FNB Innovation year	2008
<i>r</i>	0.3510
<i>p</i>	p=0.014

From the result of the scatter plot in Table 20 it is evident that there is a weak positive correlation between contingent reward and the level of innovation in First National Bank. This is confirmed by the medium correlation coefficient ( $r = 0.3510$ ). Additionally the *p*-value of  $0.014 < 0.05$  so the researcher must reject  $H_0$  which hypothesises that no statistically significant positive relationship exists between contingent reward and the level of innovation in FNB. By rejecting  $H_0$  the researcher must conclude that there is sufficient evidence to support  $H_a$ . *Therefore a statistically significant positive relationship exists between contingent reward and the level of innovation in FNB.*

**6.4.7. Sub-hypothesis 7 - Active Management-by-Exception and Innovation in First National Bank**

**Figure 20 - Scatter plot - active management-by-exception and innovation**



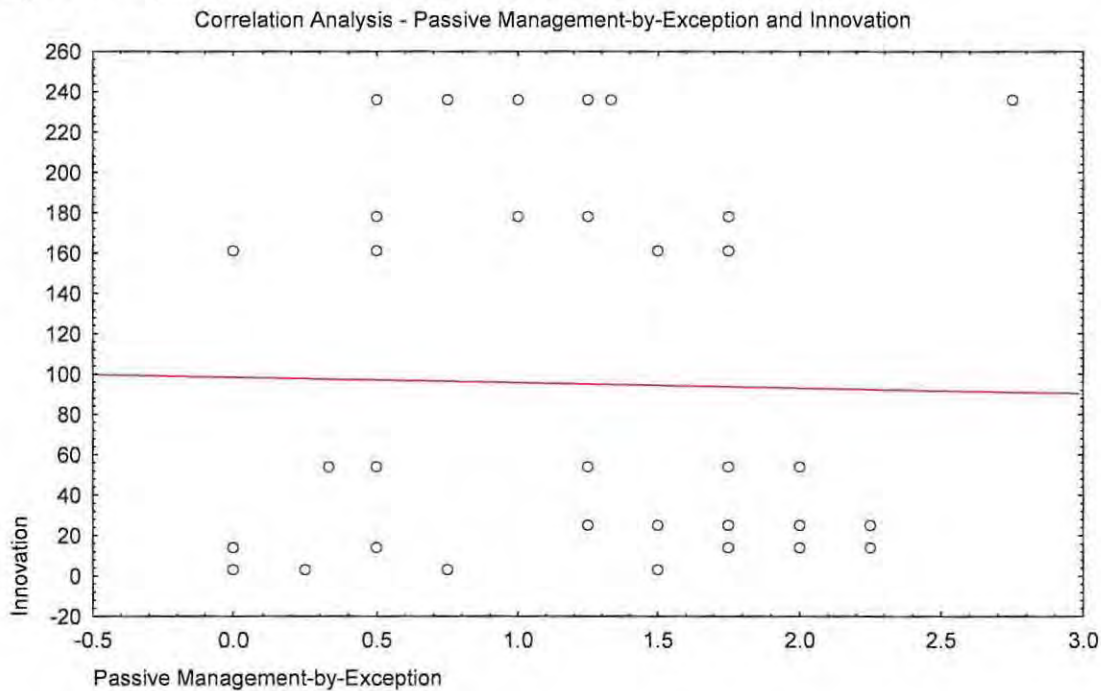
**Table 12 - Correlation analysis - active management-by-exception and innovation**

Correlation Analysis – Active Management-by-Exception and Innovation	
2008	
FNB Innovation year	2008
<i>r</i>	-0.0755
<i>p</i>	<i>p</i> =0.324

From the result of the scatter plot in Table 22 it is evident that there is a weak negative correlation between active management-by-exception and the level of innovation in First National Bank. This is confirmed by the low negative correlation coefficient ( $r = -0.0755$ ). Additionally the *p*-value of  $0.324 > 0.05$  so the researcher must fail to reject  $H_0$  which hypothesises that no statistically significant positive relationship exists between active management-by exception and the level of innovation in FNB. By failing to reject  $H_0$  the researcher must conclude that there is insufficient evidence to support  $H_a$ . *Therefore no statistically significant positive relationship exists between active management-by-exception and the level of innovation in FNB.*

**6.4.8. Sub-hypothesis 8 - Passive Management-by-Exception and Innovation in First National Bank**

**Figure 21 - Scatter plot - passive management-by-exception and innovation**



**Table 13 - Correlation analysis - passive management-by-exception and innovation**

	Correlation Analysis – Passive Management-by-Exception and Innovation
FNB Innovation year	<b>12008</b>
<i>r</i>	-0.0221
<i>p</i>	p=0.447

From the result of the scatter plot in Table 24 it is evident that there is a weak negative correlation between passive management-by-exception and the level of innovation in First National Bank. This is confirmed by the low negative correlation coefficient ( $r = -0.0221$ ). Additionally the *p*-value of  $0.447 > 0.05$  so the researcher must fail to reject  $H_0$  which hypothesises that no statistically significant positive relationship exists between active management-by-exception and the level of innovation in FNB. By failing to reject  $H_0$  the researcher must conclude that there is insufficient evidence to support  $H_a$ . *Therefore no*

*statistically significant positive relationship exists between passive management-by-exception and the level of innovation in FNB.*

#### **6.4. Chapter summary**

The empirical results of the research were presented in this chapter. Descriptive statistics and correlation analysis were presented to provide further insight. With regards to the two main hypotheses, no significant positive relationship was found between the grouped transformational components - and the level of innovation in First National Bank. Similarly no significant positive relationship was found between the grouped transactional components - and the level of innovation in First National Bank. With regards to the sub-hypotheses, *with the exception of contingent reward*, no significant positive relationship was found between the individual components of transformational and transactional leadership - and the level of innovation in First National Bank.

The implication of these results will now be discussed in the light of the literature reviewed.

## CHAPTER 7 – DISCUSSION

### 7.1. Introduction

The research results were presented in the previous chapter, this chapter will now discuss the results in the light of the literature reviewed. The object will be to see whether the results support the literature, and whether there are areas in the literature which are lacking. Research limitations are identified, implications of the research are discussed and future research opportunities are also identified in this chapter.

Based on the literature reviewed (see Chapter 4 - Full Range Leadership; two ways in which it can drive innovation in large organisations) there should be a statistically significant positive relationship between transformational leadership and innovation. In line with this theory, when analysing the results of the research, we would expect to find a statistically significant positive relationship between transformational leadership and the level of innovation within First National Bank.

### 7.2. Discussion of the results

The two main hypotheses, which hypothesized a relationship between the grouped transactional and grouped transformational leadership components and innovation respectively, showed a weak positive correlation, with the p-value greater than the smallest value for which  $H_0$  could be rejected. Therefore no statistically significant positive relationship was found to exist between the grouped transformational and transactional leadership components and the level of innovation in FNB. The literature reviewed suggested no significant relationship would be found between the grouped transactional components of leadership and innovation (Bass, et al., 1997). However the literature suggested a positive relationship would be found between the grouped transformational components of leadership and innovation (Bass, et al., 1997). The findings for the grouped transactional components *do* support the literature, whereas the findings for the grouped transformational components *do not* support the literature

The results of the eight sub-hypotheses, were divided into two groups. The first group comprised the five sub-hypotheses which measured the relationship between each of the transformational components of leadership and the level of innovation in First National Bank. The second group comprised the last three sub-hypotheses which measured the relationship between each of the transactional components of leadership and the level of innovation in First National Bank.

The first three transformational components namely idealised attributes, idealised behaviours, individualised consideration and the last component namely inspirational motivation showed a weak positive correlation, with the p-value greater than the smallest value for which  $H_0$  could be rejected. Therefore no statistically significant positive relationship was found to exist between these transformational components of leadership - and the level of innovation in FNB. Again this does not support the literature which suggested there would be a statistically significant relationship between the components of transformational leadership and the level of innovation (Brand, et al., 2000).

Additionally the scatter plot for the individual transformational component of intellectual stimulation showed a weak negative correlation between intellectual stimulation and the level of innovation in First National Bank. This was confirmed by a weak negative correlation coefficient with the p-value greater than the smallest value for which  $H_0$  could be rejected. Therefore no statistically significant positive relationship was found to exist between intellectual stimulation and the level of innovation in First National Bank. This also does not support the literature which suggested there would be a statistically significant positive relationship between the components of transformational leadership and the level of innovation (Brand, et al., 2000).

With regards to the transactional components of leadership, the scatter plots for both active management-by-exception and passive management-by-exception showed that there was a weak negative correlation between these components and the level of innovation in First National Bank. This is confirmed by the low negative correlation coefficients with the p-values greater than the smallest value for which  $H_0$  could be rejected. Therefore no statistically significant positive relationship was found to exist between these two transactional components of leadership and the level of innovation in FNB. This does support

the literature reviewed which suggested no significant relationship would be found between the individual components of transactional leadership and innovation (Brand, et al., 2000).

The last transactional component to be measured, namely contingent reward was the only one which did reveal a statistically significant result. From the result of the scatter plot it was evident that there is a weak positive correlation between contingent reward and the level of innovation in First National Bank, with the p-values less than the smallest value for which  $H_0$  could be rejected. Therefore a statistically significant positive relationship was found to exist between contingent reward and the level of innovation in FNB. Contingent reward has yielded slightly different results from the two management-by-exception factors in passed research (Avolio et al., 1997). According to Ristow (1997) contingent reward typifies the leadership styles which were described as effective in a less competitive environment than that faced by businesses today. Likewise, Bass et al., (1994:4) suggest, "contingent reward has been found to be reasonably effective, although not as effective as the four I's". This finding then is in line with the theory.

Taken as a whole the results do not support the theory. The theory suggested transformational leadership would drive innovation in large organisations. Two key areas were identified which demonstrated how transformational leadership would drive this innovation (Bass, 1994). This would be accomplished firstly by speeding up the cycle of product and process innovation in multi-functional teams, and secondly by improving the decision making process through encouraging and enabling the search for optimal innovative solutions, rather than a merely searching for satisfactory alternatives. However no positive relationship was found between transformational leadership and innovation in First National Bank.

### **7.3. Implications of the research**

Most of the research on Full Range Leadership has taken place in Europe and America (Ristow, 1997), and research in South Africa is still limited. Avolio and Bass (1997) have called for more research on transformational leadership particularly in South Africa. Taking cognisance of the findings of this research, the following further research opportunities need to be explored.

Firstly research needs to be conducted to establish whether or not the South African Banking system has moved from the industrial to the information paradigm (see 2.2.1. – The changing paradigm and the need for innovation in the South African banking system). As an explanation for the results discussed above which do not support the literature, it could be contended that First National Bank has not moved from the industrial paradigm to the information paradigm to the same extent as its European and American counterparts have been force to. In the old paradigm, it was possible for a truly successful transactional leader to be a good manager as they tend to be very good at the traditional management functions of planning, organising, directing and controlling which call for task-orientated leaders Kuhnert (1994 in Brand et al., 2000). First National Bank could still be operating in a paradigm where transactional leadership, particularly contingent reward, is effective. Consequently the need for a large South African banking organisation such as First National Bank to constantly invent and re-invent itself through multifunctional teams and improved decision making is not as important as it is in for Banks in Europe or America. This would be consistent with the finding that there was a weak, positive relationship between contingent reward leadership and innovation in First National Bank.

Secondly, the results of this investigation show that the expected relationship suggested by the literature between transformational leadership and innovation does not exist in First National Bank. Either First National Bank is not using transformational leadership, or First National Bank is using transformational leadership but there is just no link to innovation in the bank. The reason for no link could perhaps be because of how innovation is defined in First National Bank. These relationships need to be researched.

Thirdly, it was noted under the discussion on the balanced scorecard above (see 2.4 – Organisational measurement in the new paradigm), that the CEO's of the different business units are not measured on innovation in their annual performance reviews. This lack of 'innovation measurement' is consistently applied down the managerial hierarchy. A review by the researcher of a branch manager's performance appraisal document revealed that he, like his CEO, is not measured on innovation at his annual review. First National Bank should consider aligning its performance measurement, in the form of the balanced scorecard, to its stated vision of "being a great business helping to create a better world" (FNB Pulse b, 2006). It has been shown (see 3.3 – Linking the theory of innovation to First National Banks

definition of innovation) that this vision is based on building enduring rewarding relationships with their customers, colleagues and other stakeholders, and that these enduring, rewarding relationships will be built by focusing on three 'pillars', namely, empowering people, *driving innovations*, and cost and banking efficiencies. This vision especially the 'pillar' of innovation should be reflected and measure in the banks performance measurement tool. Future research could focus on designing a balanced scorecard suited to South African banking in the new paradigm.

Fourthly, the degree to which transformational leadership is employed in MFT's and the decision making process in First National Bank needs to be researched to ensure the Bank is maximising the positive impact on innovation this leadership will generate (Bass, et al., 1994).

Finally it is important to note that Full Range Leadership can be learned and that First National Bank should place a high priority on this in preparation for the new paradigm. Draft (1999) suggests leadership involves a complex set of factors, and some people conclude leadership is too intangible and mysterious to be learned. However he (Draft, 1999:20) suggests,

contrary to the opinion of many people, leaders are not born. Leaders are made, and they are made by effort and hard work. Almost anyone has the potential to become a leader. We all have the seeds of leadership within us, our experience can either kill them or help them grow. We can either invest in developing leadership qualities or allow those qualities to lie dormant.

Similarly Bass (1990b) suggests leadership can be learned. Bass et al., (1994:4) suggest that several thousand leaders in the private sector and community leaders in the public sector throughout the world (including South Africa) have already been trained using the Full Range Leadership model.

#### **7.4. Limitations of the research**

The leader (self-rater) respondents came from a population of ten leaders, and the eventual sample comprised six leader respondents. The limited size of the leader sample resulted in each of the leader respondents having a fairly high influence on the results. An attempt should be made to extend this research to the other five large banks in South Africa thereby increasing the size of the population, and the ability to generalise to the South African banking sector. Convenience sampling was used to select the subordinate (rater) respondents with the leaders (self-raters) choosing the rater respondents which could have resulted in a concern amongst the raters as to whether self raters would get to see their answers to the questionnaire. Probability random sampling, with the assurance of confidentiality should be attempted in further studies.

## CHAPTER 8 - CONCLUSION

The broad objective of this research was to examine the relationship between leadership and innovation in a South African Bank. In addressing this objective First National Bank was chosen as the research context particularly because of the banks size and importance to the South African banking industry. This research started of with a discussion, in terms of this research context, of the changing organisational paradigm, organisational innovation, organisational measurement, organisational framework, and organisational leadership.

Organisational innovation was identified as an important core competency for the generation of a sustainable competitive organisational advantage in the new paradigm. Full range leadership was identified as the most appropriate form of leadership for the generation of innovation in large organisations.

In an effort to investigate the broad objective of the research, two main, and eight sub-hypotheses, were developed. The general methodology used to test these hypotheses and sub-hypotheses consisted of the use of a research instrument known as the 'Multifactor Leadership Questionnaire' which was used to collect information about the leadership styles of the CEO's heading up the various Business Units. Data from the results of First National Bank's 'Innovations Campaign' was used to collect information about the levels of innovation within the different business units. The data was analysed using correlation analysis.

The results of the first main hypothesis found that no statistically significant relationship exists between transformational leadership and innovation in First National Bank. The five components of transformational leadership were also tested and similar results were obtained. The results of the second main hypothesis also showed that no statistically significant relationship existed between transactional leadership and innovation in First National Bank. The three components of transactional leadership were also tested and, with the exception of contingent reward, similar results were obtained, ie no statistically significant relationship exists. The test for a relationship between contingent reward and innovation found a weak, significant positive relationship.

The result of this study which examined the relationship between transformational and transactional leadership and innovation in First National Bank do not support the theory, which suggests transformational leadership would drive innovation in large organisations (Bass, 1994). The results for the test of a positive relationship between transactional leadership and innovation in First National Bank do confirm the theory, which suggests there would be no correlation (Charlton, 1993). The result for contingent reward also supports the theory (Bass et al., 1994:4) and previous research (Avolio et al., 1997).

After a review of the literature on leadership and innovation in South Africa, no reference to this research context could be found. This research therefore adds a new dimension to research on leadership and innovation, as this research takes place in a South African banking context. This research further contributes to the existing findings relating to the relevance of the concepts. The findings generally demonstrate that the concepts are not relevant in First National Bank.

## APPENDICES

### Appendix 1 – Initial e-mail sent to self-raters

**From:** Manyathi, Zweli [mailto:ZManyathi@fnb.co.za]  
**Sent:** 06 August 2008 11:40 AM  
**To:** Ward, Phillip  
**Cc:** Guerra, Maria  
**Subject:** RE: Request for assistance with my MBA dissertation on FNB Innovation

Phillip

I have had a response from the Corporate Banking EXCO team and they will be more than happy to assist on the condition that you present your findings to the Corporate Banking EXCO as well. If you are happy with this please let me know.

---

**From:** Manyathi, Zweli  
**Sent:** 04 August 2008 07:05 PM  
**To:** Phillip Ward  
**Cc:** Guerra, Maria  
**Subject:** RE: Request for assistance with my MBA dissertation on FNB Innovation

Phillip

I remember you very well. I will chat with the team to get their response. I am more than happy to assist where I can.

---

**From:** Ward, Phillip [mailto:pward@fnbprivateclients.co.za]  
**Sent:** 01 August 2008 02:39 PM  
**To:** Manyathi, Zweli  
**Subject:** Request for assistance with my MBA dissertation on FNB Innovation



Hi Zweli

My name is Phillip Ward (you might remember me from FNB Trust Services) and I work as a Wealth Manager for FNB Private Clients.

The Wealth segment is sponsoring my MBA which I am reading at Rhodes University.

I am currently in my final year and am busy writing up my dissertation in which I investigate whether there is a statistical relationship between innovation and leadership within FNB. This e-mail is to request fifteen minutes of your time to assist me with my research by completing a questionnaire. Your help will greatly enhance the reliability and validity of my research and would be most appreciated.

I have been in communication with Michael Jordaan with regards to the collection of my research data (the questionnaire) within FNB. Understandably he is reluctant to send out the questionnaire from his office, but has said I am welcome to approach you personally to request your assistance.

The questionnaire comprises multiple choice questions on leadership and I would be most grateful if you and five of your direct reporting line managers would complete it . This exercise should take no longer than fifteen minutes to complete. The results of the individual answers will be reported in such a way that they will remain anonymous for both the leader and the direct reporting line manager are concerned.

Hopefully this short e-mail served to introduce myself and explain my request for your assistance in my research. I will however be following this e-mail up with a telephone call to yourself to establish

- if you and your team will be able to assist me, and if so;
- identify the five direct reporting line managers that will also complete the questionnaire along with yourself, and
- identify someone in you office (your PA?) that I may send the questionnaires to for distribution, collection, and return to myself.

Finally, should you be interested in the results of my research, they will be available from Michaels, office early next year.

Your assistance will be greatly appreciated

**Philip Ward**  
*Wealth Manager*

**FNB Private Clients George**  
c/o Kerk & Courtenay Street  
Ground Floor  
Church Corner Building  
George, 6529  
P.O. Box 10921, George, 6530  
Tel (044) 8056100, Fax ( ) , Cell 0825618034  
e-mail [pward@fnbprivateclients.co.za](mailto:pward@fnbprivateclients.co.za)

First National Bank - a division of FirstRand Bank Limited.  
An Authorised Financial Services Provider.

## Appendix 2 – Pack sent to self-raters

8<sup>th</sup> August 2008  
Attn Zwelie Manyathi  
CEO FNB Corporate Banking  
6<sup>th</sup> Floor, 4 First Place, BankCity  
Cnr Simmonds and Pritchard Str  
Johannesburg  
2000

FNB Private Clients  
Church Corner Building,  
Cnr Kerk and Courtenay Str,  
George

Dear Zwelie

Thanks so much for your response to my e-mail and for the time you gave me yesterday on the telephone. Your offer to help in my research is greatly appreciated.

As agreed I have included **1 Leader questionnaire**, and **5 Rater questionnaires**

- You must complete the **Leader** questionnaire – where you will be evaluating your own leadership style.
- Please then select five of your direct reporting line managers to complete the **Rater** questionnaires – they will be evaluating your leadership style.

Please would you (leader) and your staff (raters) send the completed questionnaires back to me via Mounties (our internal courier system) to my above mentioned address.

If there are any questions that you or your staff need clarified please don't hesitate to contact me, and remember the results of the research will be presented in such a way that the anonymity of you and your staff is assured.

Your help is appreciated

Philip Ward



11382

# 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

**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:

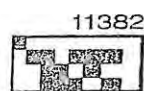
Proper Mark: ○ ○ ● ○ Improper Marks:

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 7 forms mark  and fill in the corresponding circles.

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

0	1	2	3	4
Not at all	Once in a while	Sometimes	Fairly often	Frequently if not always
1. 0 1 2 3 4		16. 0 1 2 3 4		31. 0 1 2 3 4
2. 0 0 0 0 0		17. 0 0 0 0 0		32. 0 0 0 0 0
3. 0 0 0 0 0		18. 0 0 0 0 0		33. 0 0 0 0 0
4. 0 0 0 0 0		19. 0 0 0 0 0		34. 0 0 0 0 0
5. 0 0 0 0 0		20. 0 0 0 0 0		35. 0 0 0 0 0
6. 0 0 0 0 0		21. 0 0 0 0 0		36. 0 0 0 0 0
7. 0 0 0 0 0		22. 0 0 0 0 0		37. 0 0 0 0 0
8. 0 0 0 0 0		23. 0 0 0 0 0		38. 0 0 0 0 0
9. 0 0 0 0 0		24. 0 0 0 0 0		39. 0 0 0 0 0
10. 0 0 0 0 0		25. 0 0 0 0 0		40. 0 0 0 0 0
11. 0 0 0 0 0		26. 0 0 0 0 0		41. 0 0 0 0 0
12. 0 0 0 0 0		27. 0 0 0 0 0		42. 0 0 0 0 0
13. 0 0 0 0 0		28. 0 0 0 0 0		43. 0 0 0 0 0
14. 0 0 0 0 0		29. 0 0 0 0 0		44. 0 0 0 0 0
15. 0 0 0 0 0		30. 0 0 0 0 0		45. 0 0 0 0 0

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, P D B LC (Pty) Ltd., P.O. Box 756, Randburg 2125, Tel: 787-3349, Fax: 789-4628



11382

## 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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Continued =>

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

I make clear what one can expect to receive when performance goals are achieved

I show that I am a firm believer in "If it ain't broke, don't fix it."

I go beyond self-interest for the good of the group

I treat others as individuals rather than just as a member of a group

I demonstrate that problems must become chronic before I take action

I act in ways that build others' respect for me

I concentrate my full attention on dealing with mistakes, complaints, and failures

I consider the moral and ethical consequences of decisions

I keep track of all mistakes

I display a sense of power and confidence

I articulate a compelling vision of the future

I direct my attention toward failures to meet standards

I avoid making decisions

I consider an individual as having different needs, abilities, and aspirations from others

I get others to look at problems from many different angles

I help others to develop their strengths

suggest new ways of looking at how to complete assignments

delay responding to urgent questions

emphasize the importance of having a collective sense of mission

express satisfaction when others meet expectations

express confidence that goals will be achieved

am effective in meeting others' job-related needs

use methods of leadership that are satisfying

get others to do more than they expected to do

am effective in representing others to higher authority

work with others in a satisfactory way

heighten others' desire to succeed

am effective in meeting organizational requirements

increase others' willingness to try harder

lead a group that is effective

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

by P D B L C (Pty) Ltd., P.O. Box 756, Randburg 2125. Tel: (011) 787-3349, Fax: (011) 789-4628



# 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:

Department:

# 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, P D B L C (Pty) Ltd., P.O. Box 756, Randburg 2125, Tel: 787-3349, Fax: 789-4628

11874



# Multifactor Leadership Questionnaire Rater Booklet (MLQM)

Rater No.

by Bernard M. Bass and Bruce J. Avolio

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

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

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

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

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### Appendix 3 – MLQ scoring key

Leadership Factor	Items	SA Score	Top Q Score
Idealised Influence (attributes)	10,18,21,25	3.1	3.4
Idealised Influence (behaviour)	6,14,23,34	3.1	3.4
Inspirational Motivation	9,13,26,36	3.1	3.5
Intellectual Stimulation	2,8,30,32	3	3.3
Individualised Consideration	15,19,29,31	3	3.4
Constructive Transaction	1,11,16,35	2.9	3.2
Management by Exception (active)	4,22,24,27	2.1	1.6
Management by Exception (passive)	3,12,17,20	1.1	0.7
Laizes Faire	5,7,28,33	0.8	0.5
Extra Effort	39,42,44	N/A	N/A
Effectiveness	37,40,43	N/A	N/A
Satisfaction	38,41,45	N/A	N/A

## Appendix 4 - First National Bank innovators results

INNOVATIONS PER BUSINESS UNIT							
Business Unit	Year	Rolled over ideas from previous year	New ideas logged in competition year	Archived ideas	Total ideas per competition year	Implemented approved ideas	Employees
African Subs	2008	86	116	76	126	14	
	2007	0	101	0	101	6	
	2006	0	0	0	0	0	
	2005	0	0	0	0	0	
	Total						20
Branch Banking	2008	3318	3018	2356	3980	236	
	2007	740	2064	0	2804	119	
	2006	756	726	0	1482	55	
	2005	0	1310	0	1310	45	
	Total						455
Brand	2008	72	64	56	80	7	
	2007	34	62	0	96	3	
	2006	32	58	0	90	4	
	2005	0	46	0	46	3	
	Total						17
CFO Support	2008	95	147	84	158	26	
	2007	48	-4	0	44	3	
	2006	29	30	0	59	0	
	2005	0	59	0	59	4	
	Total						33
Commercial	2008	1073	728	574	1227	54	
	2007	467	617	0	1084	38	
	2006	197	449	0	646	53	
	2005	0	322	0	322	16	
	Total						161
Corporate	2008	1798	943	907	1834	161	
	2007	905	1005	0	1910	196	
	2006	360	1157	0	1517	139	
	2005	0	561	0	561	65	
	Total						561
Group Support	2008	47	11	34	24	0	
	2007	0	0	0	0	0	
	2006	0	0	0	0	0	
	2005	0	0	0	0	0	
	Total						0
Outside Entities	2008	26	87	15	98	11	
	2007	0	0	0	0	0	
	2006	0	0	0	0	0	
	2005	0	0	0	0	0	
	Total						11
Personal Banking	2008	1596	1196	902	1890	178	
	2007	737	1265	0	2002	125	
	2006	308	808	0	1206	81	
	2005	0	559	0	559	58	
	Total						442
Public Sector	2008	44	33	38	39	3	
	2007	18	17	0	35	2	
	2006	24	1	0	25	3	
	2005	0	28	0	28	4	
	Total						12
Smart Solutions	2008	175	149	92	232	16	
	2007	155	291	0	446	29	
	2006	60	245	0	305	21	
	2005	0	125	0	125	24	
	Total						90
Unallocated	2008	578	68	504	142	2	
	2007	0	0	0	0	0	
	2006	0	0	0	0	0	
	2005	0	0	0	0	0	
	Total						2
Wealth	2008	135	282	141	276	25	
	2007	55	96	0	151	9	
	2006	32	57	0	89	4	
	2005	0	110	0	110	4	
	Total						42
Wesbank	2008	32	3	17	18	0	
	2007	0	15	0	15	0	
	2006	0	0	0	0	0	
	2005	0	0	0	0	0	
	Total						0

## Appendix 5 - Consolidated MLQ answer spreadsheet

Business Unit - Wealth				
Self Rater - Willie Miller				
Title - CEO FNB Wealth		Years in Position - 4yrs		
Rater 1-				
Title -		Years in position -		
Rater 2				
Title -		Years in position -		
Rater 3				
Title - ?		Years in position -		
Rater 4 -				
Title -		Years in position -		
Rater 5				
Title -		Years in position -		

	Self Rater	Rater 1	Rater 2	Rater 3	Rater 4	Rater 5	Average	SA Norm	SA Top Quartile	Leadership Factor
Q1	3	4	2	3		2	2.2	2.9	3.2	constructive transaction
Q2	4	3	3	2	4	4	3.2	3	3.3	intellectual stimulation
Q3	3	2	3	3	3	2	2.6	1.1	0.7	management by exception (passive)
Q4	4	0	1	2	1	4	1.6	2.1	1.6	management by exception (active)
Q5	1	1	0	1	0	1	0.6	0.8	0.5	laizes Faire
Q6	3	3	4	3	3	3	3.2	3.1	3.4	idealised influence (behaviour)
Q7	0	0	1	0	0	1	0.4	0.8	0.5	laizes Faire
Q8	3	4	3	3	3	3	3.2	3	3.3	intellectual stimulation
Q9	3	4	3	3	3	3	3.2	3.1	3.5	inspirational motivation
Q10	3	4	3	3	3	3	3.2	3.1	3.4	idealised influence (attributes)
Q11	2	3	2	3	3	3	2.8	2.9	3.2	constructive transaction
Q12	2	2	1	1	1	2	1.4	1.1	0.7	management by exception (passive)
Q13	4	4	3	3	3	4	3.4	3.1	3.5	inspirational motivation
Q14	3	3	3	3	2	3	2.8	3.1	3.4	idealised influence (behaviour)
Q15	4	4	3	2	1	2	2.4	3	3.4	individualised consideration
Q16	2	0	1	2	0	2	1	2.9	3.2	constructive transaction
Q17	1	2	0	1	0	4	1.4	1.1	0.7	management by exception (passive)
Q18	4	4	3	3	4	4	3.6	3.1	3.4	idealised influence (attributes)
Q19	4	4	3	3	4	3	3.4	3	3.4	individualised consideration
Q20	2	2	1	1	3	1	1.6	1.1	0.7	management by exception (passive)
Q21	2	4	3	2	3	3	3	3.1	3.4	idealised influence (attributes)
Q22	2	3	2	1	1	3	2	2.1	1.6	management by exception (active)
Q23	4	4	3	3	4	4	3.6	3.1	3.4	idealised influence (behaviour)
Q24	1	2	1	1	0	2	1.2	2.1	1.6	management by exception (active)
Q25	3	4	3	3	3	3	3.2	3.1	3.4	idealised influence (attributes)
Q26	2	4	3	3	2	3	3	3.1	3.5	inspirational motivation
Q27	2	2	1	2	1	1	1.4	2.1	1.6	management by exception (active)
Q28	0	2	0	1	0	0	0.6	0.8	0.5	laizes Faire
Q29	4	2	3	2	3	4	2.8	3	3.4	individualised consideration
Q30	4	4	3	3	3	3	3.2	3	3.3	intellectual stimulation
Q31	4	3	3	2	3	3	2.8	3	3.4	individualised consideration
Q32	4	4	3	2	2	3	2.8	3	3.3	intellectual stimulation
Q33	1	0	1	1	0	1	0.6	0.8	0.5	laizes Faire
Q34	2	3	3	3	3	3	3	3.1	3.4	idealised influence (behaviour)
Q35	4	3	2	3	3	3	2.8	2.9	3.2	constructive transaction
Q36	3	3	3	3	4	3	3.2	3.1	3.5	inspirational motivation
Q37	4	4	3	3	2	3	3			effectiveness
Q38	2	4	4	3	4	3	3.6			satisfaction
Q39	3	0	4	3	4	3	2.8			extra effort
Q40	4	3	4	4	4	4	3.8			effectiveness
Q41	4	4	4	4	4	4	4			satisfaction
Q42	4	4	3	3	3	3	3.2			extra effort
Q43	3	4	3	3	3	3	3.2			effectiveness
Q44	4	3	3	3	2	3	2.8			extra effort
Q45	4	4	3	3	4	4	3.6			satisfaction

Idealised Attributes	3.00	4.00	3.00	2.75	3.25	3.25	3.25	3.10	3.40
Idealised Behaviours	3.00	3.25	3.25	3.00	3.00	3.25	3.15	3.10	3.40
Inspirational Motivation	3.00	3.75	3.00	3.00	3.00	3.25	3.20	3.10	3.50
Intellectual Stimulation	3.75	3.75	3.00	2.50	3.00	3.25	3.10	3.00	3.30
Individualised Consideration	4.00	3.25	3.00	2.25	2.75	3.00	2.85	3.00	3.40
Constructive Transaction	2.75	2.50	1.75	2.75	1.50	2.50	2.20	2.90	3.20
MBE active	2.25	1.75	1.25	1.50	0.75	2.50	1.55	2.10	1.60
MBE passive	2.00	2.00	1.25	1.50	1.75	2.25	1.75	1.10	0.70

Business Unit - Corporate				
Self Rater - Zwell Manyathi				
Title - CEO FNB Corporate	Years in Position - 10 Months			
Rater 1-				
Title - CEO Client Solutions	Years in position - 4 months			
Rater 2				
Title - CIO Corporate Banking	Years in position - 4 months			
Rater 3				
Title - CEO Corporate Transactional Banking	Years in position - 4 months			
Rater 4-				
Title - Head HR & Talent Management	Years in position - 2,5 yrs			
Rater 5				
Title - CFO Corporate bank	Years in position - 9 months			
Rater 6				
CEO Corporate & Institutional Clients		Years in position - 1 yr		

	Self Rater	Rater 1	Rater 2	Rater 3	Rater 4	Rater 5	Rater 6	Average	SA Norm	SA Top Quartile	Leadership Factor
Q1	4	4	4	3	3	4	3	3.50	2.9	3.2	constructive transaction
Q2	4	4	4	4	4	4	4	4.00	3	3.3	intellectual stimulation
Q3	3	3	0	0		0	0	0.50	1.1	0.7	management by exception (passive)
Q4	2	3	3	2	1	3	3	2.50	2.1	1.6	management by exception (active)
Q5	0	0	0	0	0	0	0	0.00	0.8	0.5	laizes Faire
Q6	4	4	4	3	3	4	3	3.50	3.1	3.4	idealised influence (behaviour)
Q7	1	0	0	0	0	0	0	0.00	0.8	0.5	laizes Faire
Q8	4	3	4	3	4	3	4	3.50	3	3.3	intellectual stimulation
Q9	3	4	4	4	4	3	4	3.83	3.1	3.5	inspirational motivation
Q10	2	4	4	1	3	3	4	3.17	3.1	3.4	idealised influence (attributes)
Q11	4	4	4	1	3	3	4	3.17	2.9	3.2	constructive transaction
Q12	1	1	0	0	0	0	0	0.17	1.1	0.7	management by exception (passive)
Q13	4	4	4	3	4	3	4	3.67	3.1	3.5	inspirational motivation
Q14	3	4	3	3	4	3	4	3.50	3.1	3.4	idealised influence (behaviour)
Q15	2	3	3	2	2	3	2	2.50	3	3.4	individualised consideration
Q16	3	2	3	0	2	4	4	2.50	2.9	3.2	constructive transaction
Q17	1	2	0	2	0	2	0	1.00	1.1	0.7	management by exception (passive)
Q18	3	4	4	3	3	4	4	3.67	3.1	3.4	idealised influence (attributes)
Q19	3	4	4	2	3	4	4	3.50	3	3.4	individualised consideration
Q20	2	0	0	0	0	0	0	0.00	1.1	0.7	management by exception (passive)
Q21	3	3	4	1	3	4	4	3.17	3.1	3.4	idealised influence (attributes)
Q22	1	3	1	2	2	4	4	2.67	2.1	1.6	management by exception (active)
Q23	2	4	4	4	3	4	4	3.83	3.1	3.4	idealised influence (behaviour)
Q24	0	1	0	1	0	0	0	0.33	2.1	1.6	management by exception (active)
Q25	3	3	4	3	3	4	4	3.50	3.1	3.4	idealised influence (attributes)
Q26	3	3	4	3	4	4	4	3.67	3.1	3.5	inspirational motivation
Q27	3	3	1	1	2	1	3	1.83	2.1	1.6	management by exception (active)
Q28	0	0	0	1	0	0	0	0.17	0.8	0.5	laizes Faire
Q29	3	3	4	4	4	0	3	3.00	3	3.4	individualised consideration
Q30	3	3	4	3	3	4	3	3.33	3	3.3	intellectual stimulation
Q31	3	3	4	2	2	4	3	3.00	3	3.4	individualised consideration
Q32	3	3	4	3	3	4	3	3.33	3	3.3	intellectual stimulation
Q33	0	2	0	0	0	0	0	0.33	0.8	0.5	laizes Faire
Q34	3	3	4	3	3	4	4	3.50	3.1	3.4	idealised influence (behaviour)
Q35	3	3	4	2	2	4	3	3.00	2.9	3.2	constructive transaction
Q36	3	4	4	4	3	4	4	3.83	3.1	3.5	inspirational motivation
Q37	3	3	4	2	2	4	3	3.00			effectiveness
Q38	3	3	4	3	3	4	3	3.33			satisfaction
Q39	4	4	4	2	2	3	4	3.17			extra effort
Q40	3	4		3		4	3	2.33			effectiveness
Q41	3	4	4	3	3	4	4	3.67			satisfaction
Q42	3	4	4	2	3	4	4	3.50			extra effort
Q43	3	3	4	3	4	4	4	3.67			effectiveness
Q44	3	4	4	2	3	4	4	3.50			extra effort
Q45	3	4	4	4	3	4	4	3.83			satisfaction

Idealised Attributes	2.75	3.50	4.00	2.00	3.00	3.75	4.00	3.38	3.10	3.40	
Idealised Behaviours	3.00	3.75	3.75	3.25	3.25	3.75	3.75	3.58	3.10	3.40	
Inspirational Motivation	3.25	3.75	4.00	3.50	3.75	3.50	4.00	3.75	3.10	3.50	
Intellectual Stimulation	3.50	3.25	4.00	3.25	3.50	3.75	3.50	3.54	3.00	3.30	
Individualised Consideration	2.75	3.25	3.75	2.50	2.75	2.75	3.00	3.00	3.00	3.40	
Constructive Transaction	3.50	3.25	3.75	1.50	2.50	3.75	3.50	3.04	2.90	3.20	
MBE active	1.50	2.50	1.25	1.50	1.25	2.00	2.50	1.83	2.10	1.60	
MBE passive	1.75	1.50	0.00	0.50	0.00	0.50	0.00	0.42	1.10	0.70	

Business Unit - Public Sector										
Self Rater - Elizabeth Maepa										
Title - CEO FNB Public Sector						Years in Position -				
Rater 1-										
Title -						Years in position -				
Rater 2										
Title -						Years in position -				
Rater 3										
Title - ?						Years in position -				
Rater 4 -										
Title -						Years in position -				
Rater 5										
Title -						Years in position -				
	Self Rater	Rater 1	Rater 2	Rater 3	Rater 4	Rater 5	Average	SA Norm	SA Top Quartile	Leadership Factor
Q1	3	4	4	4	4	0	3.2	2.9	3.2	constructive transaction
Q2	3	4	4	2	4	4	3.6	3	3.3	intellectual stimulation
Q3	2	0	0	1	1	0	0.4	1.1	0.7	management by exception (passive)
Q4	1	0	3	3	3	4	2.6	2.1	1.6	management by exception (active)
Q5	0	0	0	0	0	0	0	0.8	0.5	laizes Faire
Q6	2	4	4	3	2	4	3.4	3.1	3.4	idealised influence (behaviour)
Q7	0	0	0	0	0	0	0	0.8	0.5	laizes Faire
Q8	3	4	2	2	3	4	3	3	3.3	intellectual stimulation
Q9	3	4	4	4	4	4	4	3.1	3.5	inspirational motivation
Q10	3	4	1	3	3	4	3	3.1	3.4	idealised influence (attributes)
Q11	3	4	4	3	3	4	3.6	2.9	3.2	constructive transaction
Q12	0	0	0	1	0	0	0.2	1.1	0.7	management by exception (passive)
Q13	4	4	4	3	4	4	3.8	3.1	3.5	inspirational motivation
Q14	4	4	3	4	4	4	3.8	3.1	3.4	idealised influence (behaviour)
Q15	3	3	3	3	4	2	3	3	3.4	individualised consideration
Q16	3	4	4	2	0	3	2.6	2.9	3.2	constructive transaction
Q17	1	0	0	3	0	0	0.6	1.1	0.7	management by exception (passive)
Q18	3	4	3	4	0	4	3	3.1	3.4	idealised influence (attributes)
Q19	4	4	3	4	4	4	3.8	3	3.4	individualised consideration
Q20	0	0	0	1	0	0	0.2	1.1	0.7	management by exception (passive)
Q21	3	4	3	4	4	4	3.8	3.1	3.4	idealised influence (attributes)
Q22	1	0	3	2	3	3	2.2	2.1	1.6	management by exception (active)
Q23	3	4	3	4	3	4	3.6	3.1	3.4	idealised influence (behaviour)
Q24	0	0	2	2		3	1.4	2.1	1.6	management by exception (active)
Q25	2	4	4	3	3	4	3.6	3.1	3.4	idealised influence (attributes)
Q26	3	4	3	3	3	4	3.4	3.1	3.5	inspirational motivation
Q27	0	3	2	2	1	0	1.6	2.1	1.6	management by exception (active)
Q28	0	0	0	0	1	0	0.2	0.8	0.5	laizes Faire
Q29	3	4	2	3	3	4	3.2	3	3.4	individualised consideration
Q30	3	4	2	3	4	4	3.4	3	3.3	intellectual stimulation
Q31	3	4	2	2		3	2.2	3	3.4	individualised consideration
Q32	3	4	3	3	3	3	3.2	3	3.3	intellectual stimulation
Q33	1	4	0	0	0	0	0.8	0.8	0.5	laizes Faire
Q34	3	4	3	3	2	4	3.2	3.1	3.4	idealised influence (behaviour)
Q35	4	4	4	4	0	4	3.2	2.9	3.2	constructive transaction
Q36	4	4	4	3	3	4	3.6	3.1	3.5	inspirational motivation
Q37	3	4	2	3	3	4	3.2			effectiveness
Q38	3	4	2	3	4	4	3.4			satisfaction
Q39	2	4		2	4	4	2.8			extra effort
Q40	3	4	4	3		4	3			effectiveness
Q41	3	4	2	3	4	4	3.4			satisfaction
Q42	4	4	2	2		4	2.4			extra effort
Q43	3	4	3	3	4	4	3.6			effectiveness
Q44	3	4	2	2		4	2.4			extra effort
Q45	3	4	2	3	4	4	2.6			satisfaction
Idealised Attributes	2.75	4.00	2.75	3.50	2.50	4.00	3.35	3.10	3.40	
Idealised Behaviours	3.00	4.00	3.25	3.50	2.75	4.00	3.50	3.10	3.40	
Inspirational Motivation	3.50	4.00	3.75	3.25	3.50	4.00	3.70	3.10	3.50	
Intellectual Stimulation	3.00	4.00	2.75	2.50	3.50	3.75	3.30	3.00	3.30	
Individualised Consideration	3.25	3.75	2.50	3.00	2.75	3.25	3.05	3.00	3.40	
Constructive Transaction	3.25	4.00	4.00	3.25	1.75	2.75	3.15	2.90	3.20	
MBE active	0.50	0.75	2.50	2.25	1.75	2.50	1.95	2.10	1.60	
MBE passive	0.75	0.00	0.00	1.50	0.25	0.00	0.35	1.10	0.70	

Business Unit - Personal Banking				
Self Rater - Yatin Narsai				
Title - CEO Personal Banking	Years in Position -			
Rater 1-				
Title -	Years in position -			
Rater 2				
Title - CEO FNB Shared Services	Years in position - 9 yrs			
Rater 3				
Title - CEO Premier & Investments	Years in position - 5 yrs			
Rater 4 -				
Title - CEO Hogan Technology	Years in position - 18 Months			
Rater 5				

	Self Rater	Rater 1	Rater 2	Rater 3	Rater 4	Rater 5	Average	SA Norm	SA Top Quartile	Leadership Factor
Q1		3	3	3	3		3.00	2.9	3.2	constructive transaction
Q2		2	3	3	4		3.33	3	3.3	intellectual stimulation
Q3		1	2	0	1		1.00	1.1	0.7	management by exception (passive)
Q4		1	4	3	2		3.00	2.1	1.6	management by exception (active)
Q5		0	0	0	0		0.00	0.8	0.5	laizes Faire
Q6		1	2	0	1		1.00	3.1	3.4	idealised influence (behaviour)
Q7		0	0	0	0		0.00	0.8	0.5	laizes Faire
Q8		1	3	1	3		2.33	3	3.3	intellectual stimulation
Q9		3	3	3	2		2.67	3.1	3.5	inspirational motivation
Q10		3	3	1	3		2.33	3.1	3.4	idealised influence (attributes)
Q11			4	4	1		3.00	2.9	3.2	constructive transaction
Q12			0	1	0		0.33	1.1	0.7	management by exception (passive)
Q13			3	3	2		2.67	3.1	3.5	inspirational motivation
Q14			3	2	3		2.67	3.1	3.4	idealised influence (behaviour)
Q15			0	0	0		0.00	3	3.4	individualised consideration
Q16			2	3	1		2.00	2.9	3.2	constructive transaction
Q17			3	4	1		2.67	1.1	0.7	management by exception (passive)
Q18			2	0	2		1.33	3.1	3.4	idealised influence (attributes)
Q19			4	4	4		4.00	3	3.4	individualised consideration
Q20			0	2	0		0.67	1.1	0.7	management by exception (passive)
Q21			3	2	2		2.33	3.1	3.4	idealised influence (attributes)
Q22			1	3	1		1.67	2.1	1.6	management by exception (active)
Q23			4	1	1		2.00	3.1	3.4	idealised influence (behaviour)
Q24			1	3	0		1.33	2.1	1.6	management by exception (active)
Q25			3	4	4		3.67	3.1	3.4	idealised influence (attributes)
Q26			4	2	2		2.67	3.1	3.5	inspirational motivation
Q27			1	3	0		1.33	2.1	1.6	management by exception (active)
Q28			0	0	0		0.00	0.8	0.5	laizes Faire
Q29			3	4	1		2.67	3	3.4	individualised consideration
Q30			2	2	3		2.33	3	3.3	intellectual stimulation
Q31			3	1	3		2.33	3	3.4	individualised consideration
Q32			2	3	3		2.67	3	3.3	intellectual stimulation
Q33			0	0	0		0.00	0.8	0.5	laizes Faire
Q34			3	1	2		2.00	3.1	3.4	idealised influence (behaviour)
Q35			4	2	3		3.00	2.9	3.2	constructive transaction
Q36			2	3	4		3.00	3.1	3.5	inspirational motivation
Q37			4	3	3		3.33			effectiveness
Q38			2	0	2		1.33			satisfaction
Q39			1	1	3		1.67			extra effort
Q40			3	2	3		2.67			effectiveness
Q41			3	3	2		2.67			satisfaction
Q42			3	1	4		2.67			extra effort
Q43			2	1	4		2.33			effectiveness
Q44			3	1	4		2.67			extra effort
Q45			3	2	3		2.67			satisfaction
Idealised Attributes	0.00	0.75	2.75	1.75	2.75	0.00	2.42	3.10	3.40	
Idealised Behaviours	0.00	0.25	3.00	1.00	1.75	0.00	1.92	3.10	3.40	
Inspirational Motivation	0.00	0.75	3.00	2.75	2.50	0.00	2.75	3.10	3.50	
Intellectual Stimulation	0.00	0.75	2.50	2.25	3.25	0.00	2.67	3.00	3.30	
Individualised Consideration	0.00	0.00	2.50	2.25	2.00	0.00	2.25	3.00	3.40	
Constructive Transaction	0.00	0.75	3.25	3.00	2.00	0.00	2.75	2.90	3.20	
MBE active	0.00	0.25	1.75	3.00	0.75	0.00	1.83	2.10	1.60	
MBE passive	0.00	0.25	1.25	1.75	0.50	0.00	1.17	1.10	0.70	

Business Unit - Commercial										
Self Rater - Iris Dempsey										
Title - CEO Commercial										
Years in Position - 4yrs										
Rater 1- Inus Du Preez										
Title -										
Years in position -										
Rater 2 - Kheep Moremi										
Title -										
Years in position -										
Rater 3 - Gerhard Zeelie										
Title - Head FNB Commercial Solutions										
Years in position - 2 yrs										
Rater 4 - Michael Vacy-Lyle										
Title - Head of Sales and Client Relationships										
Years in position - 14 Months										
Rater 5 - Angela Pillay										
Title - CFO FNB Commercial										
Years in position - 1 yr										
	Self Rater	Rater 1	Rater 2	Rater 3	Rater 4	Rater 5	Average	SA Norm	SA Top Quartile	Leadership Factor
Q1	2	2	2	2	4	4	3.5	2.9	3.2	constructive transaction
Q2	3	3	2	3	4	4	4	3	3.3	intellectual stimulation
Q3	4	3	0	1	1	0	1.25	1.1	0.7	management by exception (passive)
Q4	3	2	3	3	4	4	4	2.1	1.6	management by exception (active)
Q5	0	0	0	0	0	0	0	0.8	0.5	laizes Faire
Q6	3	4	4	3	3	4	4.5	3.1	3.4	idealised influence (behaviour)
Q7	0	0	0	2	0	0	0.5	0.8	0.5	laizes Faire
Q8	4	4	3	3	4	3	4.25	3	3.3	intellectual stimulation
Q9	4	1	3	3	4	4	3.75	3.1	3.5	inspirational motivation
Q10	2	1	3	2	3	3	3	3.1	3.4	idealised influence (attributes)
Q11	4	3	3	3	3	4	4	2.9	3.2	constructive transaction
Q12	0	0	0	1	1	0	0.5	1.1	0.7	management by exception (passive)
Q13	4	3	3	3	3	3	3.75	3.1	3.5	inspirational motivation
Q14	4	3	2	3	4	4	4	3.1	3.4	idealised influence (behaviour)
Q15	4	1	1	3	2	3	2.5	3	3.4	individualised consideration
Q16	4	3	3	1	2	4	3.25	2.9	3.2	constructive transaction
Q17	1	2	2	3	0		1.75	1.1	0.7	management by exception (passive)
Q18	4	3	3	3	4	3	4	3.1	3.4	idealised influence (attributes)
Q19	4	3	1	3	3	3	3.25	3	3.4	individualised consideration
Q20	0	3	0	2	0	1	1.5	1.1	0.7	management by exception (passive)
Q21	3	2	3	2	2	3	3	3.1	3.4	idealised influence (attributes)
Q22	0	1	2	3	3	4	3.25	2.1	1.6	management by exception (active)
Q23	4	3	3	4	3	3	4	3.1	3.4	idealised influence (behaviour)
Q24	0	0	2	4	3		2.25	2.1	1.6	management by exception (active)
Q25	2	4	3	3	4	4	4.5	3.1	3.4	idealised influence (attributes)
Q26	4	4	3	3	3	4	4.25	3.1	3.5	inspirational motivation
Q27	0	2	2	3	3		2.5	2.1	1.6	management by exception (active)
Q28	0	2	0	2	1	0	1.25	0.8	0.5	laizes Faire
Q29	4	2	3	4	3		3	3	3.4	individualised consideration
Q30	4	3	3	2	3	3	3.5	3	3.3	intellectual stimulation
Q31	4	2	3	2	2	3	3	3	3.4	individualised consideration
Q32	4	3	3	3	4	3	4	3	3.3	intellectual stimulation
Q33	0	1	0	3	0	0	1	0.8	0.5	laizes Faire
Q34	3	4	3	3	3	4	4.25	3.1	3.4	idealised influence (behaviour)
Q35	3	4	2	3	3	4	4	2.9	3.2	constructive transaction
Q36	4	4	3	3	2	4	4	3.1	3.5	inspirational motivation
Q37	3	3	2	3	2		2.5			effectiveness
Q38	2	2	3	2	1		2			satisfaction
Q39	4	4	3	2	1	4	3.5			extra effort
Q40	4	2	3	3	3	3	3.5			effectiveness
Q41	3	3	3	3	3	3	3.75			satisfaction
Q42	4	3	3	2	2	4	3.5			extra effort
Q43	4	2	3	3	3	4	3.75			effectiveness
Q44	4	3	3	3	2	4	3.75			extra effort
Q45	4	3	3	3	3	3	3.75			satisfaction
Idealised Attributes	2.75	2.50	3.00	2.50	3.25	3.25	3.63	3.10	3.40	
Idealised Behaviours	3.50	3.50	3.00	3.25	3.25	3.75	4.19	3.10	3.40	
Inspirational Motivation	4.00	3.00	3.00	3.00	3.00	3.75	3.94	3.10	3.50	
Intellectual Stimulation	3.75	3.25	2.75	2.75	3.75	3.25	3.94	3.00	3.30	
Individualised Consideration	4.00	2.00	2.00	3.00	2.50	2.25	2.94	3.00	3.40	
Constructive Transaction	3.25	3.00	2.50	2.25	3.00	4.00	3.69	2.90	3.20	
MBE active	0.75	1.25	2.25	3.25	3.25	2.00	3.00	2.10	1.60	
MBE passive	1.25	2.00	0.50	1.75	0.50	0.25	1.25	1.10	0.70	

Business Unit - Branch Banking										
Self Rater - Barry De Witt										
Title - CEO FNB Public Sector						Years in Position -				
Rater 1-										
Title -						Years in position -				
Rater 2										
Title -						Years in position -				
Rater 3										
Title - ?						Years in position -				
Rater 4 -										
Title -						Years in position -				
Rater 5										
Title -						Years in position -				
	Self Rater	Rater 1	Rater 2	Rater 3	Rater 4	Rater 5	Average	SA Norm	SA Top Quartile	Leadership Factor
Q1	4	4	4	4	3	4	3.8	2.9	3.2	constructive transaction
Q2	4	4	3	3	2	3	3	3	3.3	intellectual stimulation
Q3	1	0	0	4	2	4	2	1.1	0.7	management by exception (passive)
Q4	4	2	4	3	2	3	2.8	2.1	1.6	management by exception (active)
Q5	0	0	0	0	0	0	0	0.8	0.5	laizes Faire
Q6	4	4	4	3	3	3	3.4	3.1	3.4	idealised influence (behaviour)
Q7	0	0	0	0	1	0	0.2	0.8	0.5	laizes Faire
Q8	4	2	3	3	3	3	2.8	3	3.3	intellectual stimulation
Q9	4	4	4	3	3	3	3.4	3.1	3.5	inspirational motivation
Q10	4	4	4	3	3	3	3.4	3.1	3.4	idealised influence (attributes)
Q11	3	4	4	3	3	4	3.6	2.9	3.2	constructive transaction
Q12	0	0	0	0	2	1	0.6	1.1	0.7	management by exception (passive)
Q13	4	4	4	3	4	4	3.8	3.1	3.5	inspirational motivation
Q14	4	4	4	3	3	3	3.4	3.1	3.4	idealised influence (behaviour)
Q15	3	3	4	3	2	3	3	3	3.4	individualised consideration
Q16	4	4	4	4	3	3	3.6	2.9	3.2	constructive transaction
Q17	2	2	4	0	1	3	2	1.1	0.7	management by exception (passive)
Q18	4	4	4	4	2	3	3.4	3.1	3.4	idealised influence (attributes)
Q19	4	4	4	4	3	4	3.8	3	3.4	individualised consideration
Q20	0	0	0	0	0	3	0.6	1.1	0.7	management by exception (passive)
Q21	4	4	4	4	3	4	3.8	3.1	3.4	idealised influence (attributes)
Q22	3	4	4	0	1	1	2	2.1	1.6	management by exception (active)
Q23	4	4	4	4	4	3	3.8	3.1	3.4	idealised influence (behaviour)
Q24	3	1	4	0	2	1	1.6	2.1	1.6	management by exception (active)
Q25	4	4	4	4	3	3	3.6	3.1	3.4	idealised influence (attributes)
Q26	4	4	3	4	4	4	3.8	3.1	3.5	inspirational motivation
Q27	3	1	3	0	1	1	1.2	2.1	1.6	management by exception (active)
Q28	0	0	1	0	1	0	0.4	0.8	0.5	laizes Faire
Q29	4	4	4	4	3	4	3.8	3	3.4	individualised consideration
Q30	3	3	3	4	3	3	3.2	3	3.3	intellectual stimulation
Q31	3	3	3	4	2	3	3	3	3.4	individualised consideration
Q32	3	2	4	4	1	3	2.8	3	3.3	intellectual stimulation
Q33	0	0	0	0	1	0	0.2	0.8	0.5	laizes Faire
Q34	4	4	4	4	3	3	3.6	3.1	3.4	idealised influence (behaviour)
Q35	4	4	4	4	1	3	3.2	2.9	3.2	constructive transaction
Q36	4	4	4	4	3	4	3.8	3.1	3.5	inspirational motivation
Q37	3	4	4	4	2	4	3.6			effectiveness
Q38	4	4	4	4	3	4	3.8			satisfaction
Q39	4	4	4	4	4	4	4			extra effort
Q40	4	4	4	4	3	3	3.6			effectiveness
Q41	4	4	4	4	3	4	3.8			satisfaction
Q42	3	4	4	4	3	4	3			extra effort
Q43	4	4	4	4	3	4	3.8			effectiveness
Q44	3	4	4	4	4	4	4			extra effort
Q45	4	4	4	4	3	4	3.8			satisfaction
Idealised Attributes	4.00	4.00	4.00	3.75	2.75	3.25	3.55	3.10	3.40	
Idealised Behaviours	4.00	4.00	4.00	3.50	3.25	3.00	3.55	3.10	3.40	
Inspirational Motivation	4.00	4.00	3.75	3.50	3.50	3.75	3.70	3.10	3.50	
Intellectual Stimulation	3.50	2.75	3.25	3.50	2.25	3.00	2.95	3.00	3.30	
Individualised Consideration	3.50	3.50	3.75	3.75	2.50	3.50	3.40	3.00	3.40	
Constructive Transaction	3.75	4.00	4.00	3.75	2.50	3.50	3.55	2.90	3.20	
MBE active	3.25	2.00	3.75	0.75	1.50	1.50	1.90	2.10	1.60	
MBE passive	0.75	0.50	1.00	1.00	1.25	2.75	1.30	1.10	0.70	

	Self Rater	Rater 1	Rater 2	Rater 3	Rater 4	Rater 5	Average	SA Norm	SA Top Quartile	Leadership Factor
Q1	3	3	3		1		1.75	2.9	3.2	constructive transaction
Q2	3	3	4	4	3		3.5	3	3.3	intellectual stimulation
Q3	0	4	3	0	3		2.5	1.1	0.7	management by exception (passive)
Q4	3	4	4	4	3		3.75	2.1	1.6	management by exception (active)
Q5	0	1	0	0	3		1	0.8	0.5	laizes Faire
Q6	3	4	3	3	3		3.25	3.1	3.4	idealised influence (behaviour)
Q7	0	1	0	0	2		0.75	0.8	0.5	laizes Faire
Q8	4	4	4	4	2		3.5	3	3.3	intellectual stimulation
Q9	3	3	4	4	4		3.75	3.1	3.5	inspirational motivation
Q10	2	3	3	4	1		2.75	3.1	3.4	idealised influence (attributes)
Q11	3	4	3	4	2		3.25	2.9	3.2	constructive transaction
Q12	1	1	2	0	2		1.25	1.1	0.7	management by exception (passive)
Q13	3	4	4	4	3		3.75	3.1	3.5	inspirational motivation
Q14	2	4	3	4	2		3.25	3.1	3.4	idealised influence (behaviour)
Q15	3	3	2	4	1		2.5	3	3.4	individualised consideration
Q16	2	3	3	0	1		1.75	2.9	3.2	constructive transaction
Q17	1	2	3		1		1.5	1.1	0.7	management by exception (passive)
Q18	3	4	4	4	1		3.25	3.1	3.4	idealised influence (attributes)
Q19	3	4	4	4	3		3.75	3	3.4	individualised consideration
Q20	0	0	0	0	3		0.75	1.1	0.7	management by exception (passive)
Q21	3	3	3	4	2		3	3.1	3.4	idealised influence (attributes)
Q22	1	4	4	4	1		3.25	2.1	1.6	management by exception (active)
Q23	3	4	4	4	2		3.5	3.1	3.4	idealised influence (behaviour)
Q24	0	1			3		1	2.1	1.6	management by exception (active)
Q25	1	4	4	3	4		3.75	3.1	3.4	idealised influence (attributes)
Q26	3	4	3	3	2		3	3.1	3.5	inspirational motivation
Q27	2	4	3	2	3		3	2.1	1.6	management by exception (active)
Q28	0	0	1	2	3		1.5	0.8	0.5	laizes Faire
Q29	3	1	3	3	0		1.75	3	3.4	individualised consideration
Q30	3	3	4	4	1		3	3	3.3	intellectual stimulation
Q31	3	3	3	4	2		3	3	3.4	individualised consideration
Q32	2	3	4	3	2		3	3	3.3	intellectual stimulation
Q33	1	0	0	0	2		0.5	0.8	0.5	laizes Faire
Q34	3	3	4	4	3		3.5	3.1	3.4	idealised influence (behaviour)
Q35	2	2	4	2	1		2.25	2.9	3.2	constructive transaction
Q36	3	3	4	3	4		3.5	3.1	3.5	inspirational motivation
Q37	3	2	4	3	1		2.5			effectiveness
Q38	3	3	3	4	0		2.5			satisfaction
Q39	2	0	4	4	3		2.75			extra effort
Q40	3	3	4		1		2			effectiveness
Q41	3	4	4	4	1		3.25			satisfaction
Q42	3	4	4	4	2		3.5			extra effort
Q43	3	4	3	4	2		3.25			effectiveness
Q44	3	4	4	4	1		3.25			extra effort
Q45	3	4	3	4	1		3			satisfaction
Idealised Attributes	2.25	3.50	3.50	3.75	2.00	0.00	3.19	3.10	3.40	
Idealised Behaviours	2.75	3.75	3.50	3.75	2.50	0.00	3.38	3.10	3.40	
Inspirational Motivation	3.00	3.50	3.75	3.50	3.25	0.00	3.50	3.10	3.50	
Intellectual Stimulation	3.00	3.25	4.00	3.75	2.00	0.00	3.25	3.00	3.30	
Individualised Consideration	3.00	2.75	3.00	3.75	1.50	0.00	2.75	3.00	3.40	
Constructive Transaction	2.50	3.00	3.25	1.50	1.25	0.00	2.25	2.90	3.20	
MBE active	1.50	3.25	2.75	2.50	2.50	0.00	2.75	2.10	1.60	
MBE passive	0.50	1.75	2.00	0.00	2.25	0.00	1.50	1.10	0.70	

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