

**The relationship between the leadership, internal quality,
and customer satisfaction levels of dealerships in a South
African motor vehicle organisation**

THESIS

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Abstract

This research investigates the relationship between the leadership, internal quality, and customer satisfaction levels in the dealerships of a South African motor vehicle organisation. The Service Profit Chain provides the background theory to this relationship, by suggesting that various factors within the service delivery system of an organisation affect the level of customer satisfaction. From the Service Profit Chain, it is established that two of the prevalent factors affecting customer satisfaction, are leadership and internal quality. The Full Range Leadership Development Theory provides the backdrop for analysing the leadership style of each dealership by using the Multifactor Leadership Questionnaire. The Competence Process forms the theoretical construct against which the internal quality of these dealerships is assessed using the Organisation Competence Analysis Questionnaire. Information was gathered, using these two instruments, from a sample of 85 motor vehicle dealerships within South Africa. The customer satisfaction levels at each of these dealerships, is measured by the motor vehicle organisation's own instrument, known as the Customer Satisfaction Index. Data obtained from each instrument, for the respective dealerships, was then statistically analysed. However, due to the low reliability of the instruments used in this research, the results of this study indicate that there is no relationship between the leadership, internal quality, and customer satisfaction levels within a South African motor vehicle organisation. Therefore we can conclude that the null hypotheses can not be rejected.

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Note on Gender:

For reasons of convenience, only the masculine (he/his/him) is used in the text.

Please note that in all cases, the feminine (she/her/hers) is implied as well.

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CHAPTER ONE

INTRODUCTION

For any organisation to prosper, its customers must want to keep coming back to it. "Keeping good customers should be as natural to a business as breathing is to a human being" (Sviokla and Shapiro, 1993: xv). Firms need to realise that the customer is the core of any business and keeping him happy is a primary function and means of survival (Heskett, Jones, Loveman, Sasser and Schlesinger, 1994). Keeping customers satisfied is an organisation's best defence against its competitors. Customer satisfaction through increased customer service has become increasingly important (Bateson and Hoffman, 1999), in the highly competitive South African motor vehicle industry, where technological advances make it difficult for motor vehicle manufacturers to differentiate their product offerings (Du Toit, 1984). Satisfied customers make more purchases, more often, and give an organisation its competitive edge (Lele and Sheth, 1987). Customer satisfaction leads to customer loyalty, and is an important determinant of profitability and growth for any organisation (Drucker, 1990; Heskett et al, 1994; Zeithaml and Bitner, 2000). The value of this research lies in its attempt to contribute to improving customer satisfaction levels in the South African motor vehicle industry.

Customer satisfaction differs according to product quality and service quality. In the motor vehicle industry, both product and service quality are important factors for the profitability and growth of an organisation in the industry. Not only do customers have to be satisfied with the initial product experience, they also have to be satisfied with the service that accompanies the product, both before and after the sale has been made. The simple test of customer service, and subsequent customer satisfaction, is readily measurable by asking customers how they feel about front-line staff and the attitudes displayed by these employees (Freemantle, 1992). However, the interaction between the customer

and front-line employees, known as the service encounter, can be considered an interaction and compromise between different parties: the customer, the server, and the service firm - as embodied in the environment and procedures it creates for the service encounter (Czepiel, Solomon and Surprenant, 1985).

The Service Profit Chain (Heskett et al., 1994) focuses on those factors involved in the service encounter, which influence customer satisfaction. According to Heskett et al (1994), employee satisfaction, loyalty, and productivity influences the level of product and service value and therefore, the level of customer satisfaction experienced. Heskett et al (1994) go on to argue that it is the *internal quality* of the organisation that affects its level of employee satisfaction, loyalty and productivity. Heskett et al (1994) describe internal quality as the working environment surrounding an organisation's employees, and go on to state that internal quality consists of those elements in the environment that affect the level of employee satisfaction.

Berry (1999) argues that businesses that rely on employees to deliver high levels of service quality to customers require the strong, sustaining power of leadership. "The purpose of leadership is to translate an organisation's potential for good performance into actual productivity and employee satisfaction" (Hall & Maritz, 1997: 27). Managers influence the type of internal quality that is developed in any organisation, and this influences the way in which employees deal with customers. Leaders differ in their priorities and preferred styles and therefore, in the types of internal conditions they create (Hall & Maritz, 1997). A good business leader must understand the importance of employee satisfaction and productivity in ensuring higher levels of customer satisfaction (Wall, Solum and Sobol, 1992). Employee satisfaction is dependent on the extent to which the leader attempts to fulfil the professional and financial needs of the organisation's employees (Voros, 2000). Successful leadership occurs when the needs and desires of employees are met in return for a high level of employee productivity (Bass, 1985) and as a result, a high level of customer satisfaction.

It is clear that customer satisfaction is largely dependent on the level of service quality delivered by employees and that, as argued by Heskett, Sasser, and Schlesinger (1997), employee satisfaction and customer satisfaction scores run closely together. It can consequently be argued that customer satisfaction is directly influenced by employee satisfaction. Employee satisfaction is affected by internal quality, which in turn is affected by the leadership being practised within an organisation.

One of the broad objectives of this research is to examine the relationship between the leadership styles and internal quality levels of the relevant motor vehicle dealerships in South Africa. Another objective is to examine the relationship between the internal quality levels and customer satisfaction levels of the relevant motor vehicle dealerships in South Africa.

This report discusses those aspects that affect customer satisfaction, as well as the research process used to gather the necessary information. The results of this study will also be presented and discussed. This research consists of seven chapters, each of which deal with the following aspects:

The second chapter of this research discusses the importance of customer service when attempting to satisfy customers. This chapter also discusses the definition and importance of customer satisfaction, and the difficulties involved in measuring customer satisfaction. The South African motor vehicle industry is discussed in terms of the importance of customer satisfaction.

Chapter three provides a broad overview of the Service Profit Chain (Heskett et al, 1997) and the factors identified by the Service Profit Chain are discussed in terms of their ability to influence, and ultimately build, customer satisfaction. From this chapter it is established that the most important factors that lead to customer satisfaction are leadership and internal quality. These aspects are then discussed further in chapters four and five respectively.

From the discussion of the Service Profit Chain in chapter three of this research, it is evident that the first variable that affects customer satisfaction is identified as 'leadership'. In chapter four, leadership is discussed in terms of the background of leadership theory and the leadership requirements in South Africa today. The Full Range Leadership Development Theory (Bass and Avolio, 1997) is also presented and discussed.

The second variable that affects customer satisfaction, as identified by the Service Profit Chain (Heskett et al, 1994), is 'internal quality'. Chapter five discusses internal quality in terms of the Competence Process developed by Hall (1996). The effects of internal quality on the satisfaction and subsequent productivity of employees is also discussed.

The research design is diagrammatically presented and discussed in chapter six and the methods of data collection are also explained. The hypotheses of this research are identified in this chapter, as well as the reliability and validity of the instruments used in this research. Issues of population, sampling, data capturing, and data analysis, are also addressed in this chapter.

A summary of the research findings that have been established, as a result of the statistical analysis conducted in an attempt to establish and assess the relationships identified in the hypotheses of this research, is provided in chapter seven. This chapter also discusses the aforementioned findings in relation to the hypotheses identified by this research. Research limitations are discussed, and recommendations for further research are made.

CHAPTER TWO

CUSTOMER SATISFACTION

2.1 OVERVIEW

This chapter discusses customer service and the service encounter. Customer satisfaction, and the importance of customer satisfaction for any organisation seeking to achieve profitability and growth, is also discussed. The difficulties in measuring customer satisfaction as a result of its subjective nature, and the fact that customer satisfaction is measured differently in terms of service quality and product quality, is also evaluated. An overview of customer satisfaction in the motor vehicle industry of South Africa will be provided.

2.2 CUSTOMER SERVICE

“Companies need to think about how to retain customers in a continuing, active relationship; how to sell new products and services to existing customers, rather than to new ones; and how to ensure that customers will give positive referrals to potential customers.”

(Gebhart, 1997: 107)

It is difficult to define a pure product or service (Bateson and Hoffman, 1999). In reality, most products offer some type of service – even if it is only delivery, and some services offer a type of good – even if it is a haircut or hamburger (Bateson and Hoffman, 1999). Services are something that cannot be touched, seen, or felt, but are intangible deeds and performances (Zeithaml and Bitner, 2000). Services now account for three-fourths of the Gross National Product of most countries (Goncalves, 1998).

Customer service is the service offered to a customer in support of an organisation's product offering (Zeithaml and Bitner, 2000). It is the service that is received by the customer and given by the employees of the organisation. The experience of this service, and the exchange that takes place between the employee and the customer, is known as the *service encounter* (Heskett et al, 1997). The service encounter is of paramount importance to any organisation due to the fact that a service is frequently produced through an interaction between two human beings (Boschoff and Tait, 1996). The front-line staff represents the "face" of the organisation, and their disposition affects the level of service quality delivered to the customer (Bateson and Hoffman, 1999). The level of service quality delivered by the employee impacts upon the level of customer satisfaction experienced and, as a result, impacts upon the differentiation between the same products offered by different organisations (Heskett et al, 1997). The disposition and level of productivity of employees is influenced by the internal quality surrounding them. The Service Profit Chain identifies those aspects that affect the internal quality and employee satisfaction levels experienced by the organisation, and will be discussed further in the following chapter.

2.3 THE IMPORTANCE OF CUSTOMER SATISFACTION

2.3.1 What is Customer Satisfaction?

Customer satisfaction leads to profitability and growth for any organisation (Heskett et al, 1994) and has been defined in two ways: as a *process* or as an *outcome*. Yi (in Vavra, 1997) observes that definitions of customer satisfaction have varied in terms of their specificity, and that these variations of customer satisfaction can be identified as:

- satisfaction with a product
- satisfaction with a purchase decision experience

- satisfaction with a performance attribute
- satisfaction with a consumption experience
- satisfaction with a store or institution
- satisfaction with a pre-purchase experience

In essence, satisfaction can include any, some, or all of the above mentioned specifications. Customer satisfaction can also be identified as the meeting or exceeding of customer expectations (Parasuraman, Zeithaml and Berry, 1985).

2.3.2 The Importance of Customer Satisfaction

The importance of customer satisfaction cannot be over-estimated. Customer satisfaction levels severely influence the profitability and growth of an organisation (Heskett et al, 1994). The customer's perception of 'value' is decisive, and determines what the business produces, and whether or not it will be profitable (Drucker 1990). Customers are people whose needs differ according to their lifestyles and cultures. These differences must be catered for if a customer's needs are to be met to the correct specifications (Parasuraman et al, 1985).

According to Drucker (1990), there is only one valid definition of business purpose: to create a customer. The customer determines what the business is, and the most important aspect for the future success of that business is not what the business considers to be important, but what the customer considers to be of 'value'.

Organisations that fail to take the proper measures to ensure their customers are satisfied, will find themselves suffering severely in the long term (Heskett et al, 1994). Dissatisfied customers do not only turn to competitive brands, but can also devastate an organisation through negative word of mouth and negative publicity (Heskett et al, 1997).

It is therefore important to understand what makes a customer happy in order to ensure a minimum level of negative publicity through dissatisfied, disgruntled consumers. There is substantial evidence supporting the fact that customers "vote with their feet". According to Christopher (1992):

- 96 per cent of dissatisfied customers never complain BUT,
- 90 per cent of them will not buy again or return in the future,
- ONE disgruntled customer will tell at least NINE other customers, and
- 13 per cent of unhappy customers will tell at least TWENTY others.

It is therefore evident that customers are becoming more demanding, and the consequences of customer dissatisfaction are becoming more serious.

Higher levels of customer satisfaction can be associated with higher levels of customer retention (Bateson and Hoffman, 1999), thereby leading to lifetime customer value. Lifetime customer value is a calculation of the total sales a customer can make throughout his lifetime. The organisation calculates lifetime customer value by determining the amount of times the need for this product will arise in the average lifetime of a customer. This amount is then multiplied by the cost of the product. The results of this calculation highlight the importance of customer retention through strong customer relationships. Consider the lifetime customer value of a customer in the motor vehicle industry. Multiplying the cost of both purchasing and maintaining a motor vehicle by the amount of times the average South African purchases a motor vehicle in his lifetime. This indicates the contribution and importance of lifetime customer value in the motor vehicle industry. Therefore, it is evident that a single customer can add a lot to the sales figures of a motor vehicle dealership, and the cost of maintaining this relationship is exceptionally low in comparison to the potential profits yielded by a single customer (Heskett et al, 1997).

2.3.3 Difficulties in Measuring Customer Satisfaction

Customer satisfaction determines the growth and survival of an organisation (Heskett et al, 1994) and therefore, every attempt should be made to measure it. Without regular measurements and assessments of customer satisfaction, improvements or slumps in customer satisfaction levels cannot possibly be recognised and dealt with. If customer satisfaction is the key element to an organisation's success, it is in the best interests of the firm to do all in its power to measure and improve customer satisfaction levels.

When a customer experiences a particular service, it is the quality of that service that determines the level of satisfaction experienced by that customer (Palmer, 1998). Service quality is perceived by consumers and does not contain hard evidence that can be standardised or advertised aesthetically (Parasuraman, Zeithaml and Berry, 1988). As a result of the human element involved in the delivery of service quality, services cannot be standardised. Also, the fact that the customer himself is involved in the actual service encounter, makes measuring customer satisfaction with service even more difficult (Lovelock, 1996). These issues make it difficult to measure and improve service quality and the level of customer satisfaction experienced as a result of it. The fact that customer satisfaction is dependant on an individual's definition of quality, and the extent to which the service encounter meets this definition, means that customer satisfaction is subjective. This means that a standardised product can yield different levels of customer satisfaction for different individuals, depending on those attributes that are considered favourable by each individual (Palmer, 1998).

There is an eternal academic debate as to whether "customer satisfaction exerts a stronger influence on purchase intentions than does service quality" (Cronnin and Taylor, 1994: 125). The SERVQUAL Model, developed by Parasuraman et al (1985), states that customer satisfaction can be measured by the gap between

the customer's expectation of service quality, and the customer's perception of the actual level of service quality. However, there is evidence that service quality is directly influenced only by the customer's perception of employee performance, and not by the customer's expectations of the level of service quality delivered by employees (Boulding, Kalra, Staelin and Zeithaml, 1993). Research into the methods of measuring customer service and service quality, has evolved and the SERVPERF model has been developed. This performance-based model theorises that it is customer satisfaction, and not service quality, that influences the customer's intention to purchase (Baggs and Kleiner, 1996). This evidence supports the conclusion that customer satisfaction with the service encounter can and must be measured. However, in the case of product quality, the decision to purchase starts with the consumer identifying a gap between his actual and desired state of living (Schiffman and Kanuk, 1997). If this is the case, the customer does have an expectation of the product, if not the service associated with it. In the case of high involvement purchases, involving high levels of risk and little time constraints (such as purchasing a motor vehicle), consumers will engage in extensive information search to find out as much as possible about available product alternatives (Wells and Prensky, 1996). This information search will broaden the consumer's knowledge of the product and strengthen his expectation of product quality. Thus, the level of involvement in the purchase has an effect on the level of expectations of product quality. Therefore, if an organisation attempts to measure customer satisfaction accurately, customer satisfaction with product and service quality should be measured separately. Customer satisfaction with *product* quality should be measured according to the gap between the customer's expectation of product quality and the customer's perception of product quality (Kotler and Armstrong, 1999). Customer satisfaction with *service* quality should be measured according to the customer's perception of the level of service quality – due to the fact that the customer, prior to the purchasing experience, formulates little to no expectations of service quality (Boulding et al, 1993). If the expectation of service quality has little impact on customer satisfaction levels, then the

perception of service quality must be measured in order to establish what it is that customers have experienced, and the level of satisfaction with what was experienced.

Customer satisfaction can and must be measured. Customer satisfaction can be measured directly – by means of surveys and questionnaires given to customers, or indirectly – by means of sales figures. However, sales figures do not provide an adequate representation of customer satisfaction. High sales do not always mean high customer satisfaction levels (Bateson and Hoffman, 1999). Therefore, although customer satisfaction might be subjective, organisations must attempt to measure customer satisfaction directly. This is done in order to gain an overall perspective of customer satisfaction levels, to understand what it is that satisfies an organisation's target market, and to identify any changes in customer needs that may occur over time.

The ability of a company to effectively measure the level of customer satisfaction it provides is crucial. This evaluation can be used to compare and contrast the performance effectiveness of an organisation against its competitors, identify areas that need to be improved, and identify adjustments that need to be made in order to gain market share and improve the organisation's competitive position (Baggs and Kleiner, 1996). This study is concerned with the process of establishing the effects of internal quality and leadership on the customer satisfaction levels of an organisation in the South African motor vehicle industry. Therefore, customer satisfaction issues pertaining to this industry will now be discussed.

2.4 CUSTOMER SATISFACTION IN THE SOUTH AFRICAN MOTOR VEHICLE INDUSTRY

With the constant improvements in technology, it is now much easier for an organisation to cater for the varying degrees of customer needs and differences

in customer expectations (Schiffman and Kanuk, 1997). Technology has improved the production process to such an extent that organisations are capable of producing products with few to no defects. In the motor vehicle industry, products are becoming more technologically alike as a result of progress in the field of “air dynamics” (Du Toit, 1984). As a result of these technological advancements in production, consumers have become more difficult to satisfy and more demanding, and competition amongst products in the same market has increased dramatically (Zeithaml and Bitner, 2000). The South African motor vehicle industry is relatively small but highly competitive (Kruger, 1990). After the democratic elections, import tariffs and trade barriers were reduced. South African motor vehicle organisations now have to compete in both local and international markets. This has placed extreme pressure on local manufacturers to prepare themselves for the invasion of potentially cheaper motor vehicles, components, and high quality parts (Browne, 1996). Therefore, motor vehicle manufacturers will have to focus their efforts on building differences into their product offerings (Du Toit, 1984). Assuming the size of the potential customer base stays constant and more products become available for customers to choose from, there will be fewer customers to go around, and customer satisfaction will become more important. Therefore, it has never been more important for organisations to offer quality products that will keep their customers happy (Zeithaml and Bitner, 2000). According to Bateson and Hoffman (1999), due to the fact that technological advancements in many industries have made products almost indistinguishable from one another, marketers have to focus their efforts on delivering exceptional levels of service quality in an attempt to differentiate their offering from the competition. This is especially important in the motor vehicle industry due to the fact that, not only do customers experience the product offering when a motor vehicle is purchased, after sales service is also encountered on a regular basis each time the vehicle is maintained. Therefore, organisations attempting to compete in the motor vehicle industry have to ensure that both product and service quality levels are as high as possible.

Due to the above-mentioned factors, South African motor vehicle organisations need to realise the importance of customer satisfaction in ensuring long-term growth and profitability. High levels of customer satisfaction and loyalty can strengthen an organisation's competitive advantage. Therefore, in attempting to overcome the difficulties experienced as a result of increased global competition and technological advancements in the industry, South African organisations need to focus their attentions on securing the bottom line through constantly satisfying customers.

2.5 SUMMATION

Customer service influences customer satisfaction, which leads to profitability and growth for any organisation (Heskett et al, 1994). Profitability and growth ensures the long-term survival of an organisation, even in a competitive environment. Therefore, customer satisfaction should be the ultimate goal for any organisation (Holden, 1997). In order to be successful, it is crucial that an organisation provides a level of service quality that brings about high levels of customer satisfaction (Baggs and Kleiner, 1996).

Measuring customer satisfaction might be difficult due to the fact that all individuals perceive quality differently and therefore, the same level of service quality can yield different levels of customer satisfaction (Parasuraman et al, 1988). Sales figures do not provide an adequate reflection of customer satisfaction and therefore, assessing customer satisfaction must be done directly, by means of surveys and questionnaires (Bateson and Hoffman, 1999). This measurement of customer satisfaction should assess both the service quality and product quality experienced by the consumer. Measuring customer satisfaction helps the organisation to identify areas that require improvement, in an attempt to increase the organisation's market share and improve its competitive position (Baggs and Kleiner, 1996).

Customer satisfaction in the motor vehicle industry of South Africa has become increasingly important. A reduction in the import tariffs and trade barriers has led to an increase in competition in the South African motor vehicle industry. These organisations now have to compete both globally and locally in order to protect their position in the market (Browne, 1996). Technological advancements in the motor vehicle industry have made it difficult for motor vehicle organisations to differentiate their product offerings (Du Toit, 1984). Therefore customer satisfaction through increased customer service has become increasingly important in distinguishing one organisation's product offering from another (Bateson and Hoffman, 1999).

CHAPTER THREE

FACTORS INFLUENCING CUSTOMER SATISFACTION

3.1 OVERVIEW

This chapter outlines those aspects that affect customer satisfaction levels - as prescribed by the Service Profit Chain (Heskett et al, 1994). An analysis of the Service Profit Chain and its description of the relationship between leadership styles, internal quality and customer satisfaction is also provided. A brief overview of the literature surrounding leadership and internal quality will be supplied in the chapters that follow.

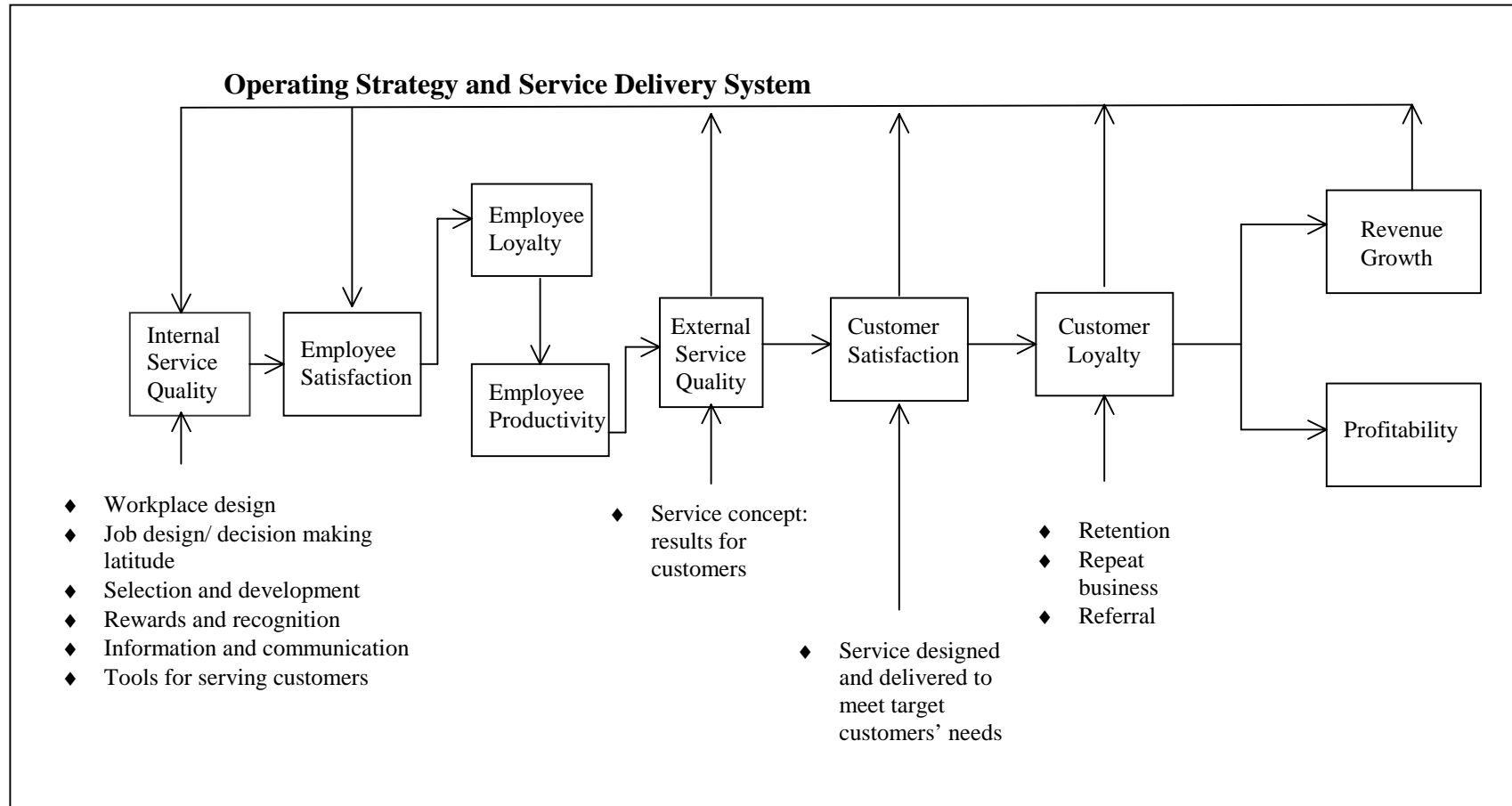
3.2 THE SERVICE PROFIT CHAIN

"The Service Profit Chain puts "hard" values on "soft" measures. It helps managers to target new investments to develop service and satisfaction levels for maximum competitive impact, widening the gap between service leaders and their merely good competitors."

(Heskett et al, 1994: 164)

The Service Profit Chain establishes relationships between employee satisfaction and productivity, customer satisfaction, and profitability (Heskett et al, 1994). The authors of the Service Profit Chain argue that effective leadership is needed to properly implement and maintain the aspects identified in the Service Profit Chain. The Service Profit Chain identifies a set of variables that affect one another and ultimately, lead to profitability and growth through customer satisfaction and loyalty. The order in which each variable affects the other is evident in Figure 3.1 on the following page.

Figure 3.1 The Links in the Service Profit Chain:



(Heskett et al, 1994: 166)

The variables in each stage of the Service Profit Chain have an important influence on each other and are intricately balanced. Proper understanding and management of each variable will lead to positive results for the organisation (Heskett et al, 1997). According to Naumann (1995), profitability and growth are primarily functions of customer loyalty. Loyalty exists when a customer is satisfied with every service encounter and as a result, becomes a habitual buyer (Griffin, 1995). Customer satisfaction is largely dependent on the level of service quality provided by the organisation, and the value of the offering as perceived by the consumer (Naumann, 1995). Only satisfied, loyal, and productive employees can deliver a high level of service quality and product value (Bateson and Hoffman, 1999). Therefore, employee satisfaction leads to customer satisfaction and will only exist when top management implements the correct support structures, and business policies and procedures.

3.3 FACTORS LEADING TO CUSTOMER SATISFACTION

3.3.1 Effective Leadership leads to Internal Quality

Hall (1996) argues that the capacity to do what needs to be done is an essential characteristic of human nature, but competence must be adequately valued and properly managed in order to become truly manifest.

The Service Profit Chain requires effective leadership if an organisation is to take advantage of the variables involved (Heskett et al, 1997). As mentioned previously, Heskett et al (1994) argue that leadership underlies the success of the chain, and that only leaders who understand the importance of employee satisfaction can implement the Service Profit Chain effectively (Heskett et al, 1994).

If a leader encourages creativity, instils commitment, and brings about collaboration, employees will have a favourable attitude towards their jobs and

their potential for productivity will be released (Hall, 1996). A higher level of productivity translates into a higher level of service quality delivered by employees. (Heskett et al, 1997). Employees will do their best work for an organisation when they are content in their environment, feel secure in their jobs, and feel that their needs are being met (Kaye, 1999). Businesses are made up of people, and it is the way in which these people are dealt with, that affects the success of the business (Price, 1995). A leader needs to understand the importance of employee satisfaction and subsequent productivity levels, in obtaining the overall goal of the organisation (Quarendon, 1997). Therefore, one of the primary functions of a leader is to ensure that his employees are satisfied (Kotter, 1999). Regardless of the goals set out by a leader, leader effectiveness is inextricably linked to the health and well being of his followers, for it is the followers who complete the tasks that need to be accomplished (Hall, 1998). Leadership will be discussed in more detail in the following chapter.

3.3.2 Internal Quality leads to Customer Satisfaction and Loyalty

3.3.2.1 Employee satisfaction is driven by internal quality:

Internal quality, as defined by Heskett et al (1994: 168), "*...contributes most to employee satisfaction and is measured by the feelings that employees have toward their jobs, colleagues and companies*". In other words, internal quality is the level of contentment experienced by employees as a result of the working environment surrounding them. An organisation's working environment has a considerable effect on the commitment of employees (Lok and Crawford, 1999). The motor vehicle organisation used in this research is "*highly rated in the areas of salaries and benefits, profit sharing, and other extras like internal promotion mobility, education, training and development, and working atmosphere and environs*" (Savides, 2000: 12). Therefore, this motor vehicle organisation should have high levels of internal quality, which directly influence the

disposition of employees.

Although the authors (Heskett et al, 1994) of the Service Profit Chain provide a definition of internal quality, they fail to provide a theoretical framework or construct in order to explain or describe internal quality as an organisational phenomenon. However, these authors do describe internal quality as the working environment surrounding an organisation's employees (Heskett et al, 1994). The theory on internal quality, supplied by the Service Profit Chain, also suggests that it is the internal quality of an organisation that determines the disposition of employees. This disposition then affects the level of satisfaction of employees as influenced by their surrounding working environment (Heskett et al, 1997).

According to Hall (1996), various conditions need to be in place, in order for this working environment to be positive and conducive to productivity. These conditions are included in a model developed by Hall (1996) known as the "Competence Process". The Competence Process rests on the viewpoint that a positive organisational context leads to the release of employee potential and productivity. Employees are satisfied when they feel that a positive working environment and stimulating working conditions surround them (Hall, 1996). Empirical research conducted by Schlechter, Tromp and Vos (2000), found that these conditions (identified by the Competence Process) surrounding an organisation's employees, affect the level of employee satisfaction and subsequent productivity. Internal quality is the extent to which the working environment surrounding an employee is conducive to productivity (Heskett et al, 1997). The factors affecting the working environment of the employees have an impact on the feelings that employees have towards their jobs, co-workers, and the organisation itself (Heskett et al, 1997). Therefore, the Competence Process (Hall, 1996) can be seen as a measure of the level of internal quality within an organisation. Satisfied employees perform well and are committed to the organisation. Employee commitment also occurs when an employee

identifies with the organisation's goals, and has positive experiences with the firm from early on in the relationship (Steers and Porter, 1991). Effective leadership leads to a positive working environment (Hall, 1996). According to the Watson Wyatt survey (Conchas, 2000) – a study that surveyed more than 7500 employees - there are several factors that drive employee commitment, namely: trust in senior leadership, job security, and the competitiveness of rewards (Conchas, 2000).

The expectations of both employees and management, and the extent to which each party meets the other's expectations, severely influences the relationship between employees and their employer (Heskett et al, 1997). Experts in business management are discovering – or rediscovering – the importance of paying attention to employees (Kamerman and Kahn, 1987). The outcome of this relationship, as well as the underlying factors that influence the working environment surrounding an employee, contribute to the satisfaction of the employee. Internal quality refers to those factors that affect the environment within which the employee performs (Heskett et al, 1994). All or most of the people involved in the organisation – customers, co-workers, top management – influence the working environment and ultimately, the satisfaction of an employee. Internal quality as outlined by Hall (1996) in the Competence Process, will be discussed in more detail in chapter five.

3.3.2.2 Employee satisfaction drives employee loyalty

As is the case with customer satisfaction, employees need to feel satisfied with their jobs and their working environment on a continual basis if they are to develop a sense of loyalty towards the organisation that employs them. A positive attitude toward both the tasks and the social interaction in the organisation will soon lead to employee loyalty and a decrease in employee turnover (Heskett et al, 1997). Employees must be satisfied in the knowledge that the firm has their best interests at heart, if they are to become long-term

employees of the organisation.

The predominant reason for employee turnover is employee dissatisfaction (Heskett et al, 1997). A high level of employee turnover, as a result of employee dissatisfaction, can be costly to an organisation. When employees feel they are making a difference and are not limited by too many rules and regulations, they will be motivated to work harder. It is therefore important for managers to support employees and allow them to exercise creativity (Hall, 1996). This gives employees freedom to innovate without the restrictions of rigid policies. This leads to creative problem solving and as a result, greater customer satisfaction due to the fact that employees are seen to be competent and reliable in circumstances requiring innovative solutions (Bateson and Hoffman, 1999).

The organisation's vision also has to be in line with employee values and beliefs. If an employee agrees with the organisation's objectives, he will strive harder to achieve them (Kotter, 1999). A leader needs to understand that his vision for the organisation will remain only a dream without the work of his employees (Quarendon, 1997). An organisation that has the best interest of its employees at heart will find that these employees will be satisfied and loyal, constantly going beyond the call of daily duties.

3.3.2.3 Employee loyalty drives employee productivity

"The real cost of employee turnover is the loss of productivity and decreased customer satisfaction."

(Heskett et al, 1994: 167)

Employees who have the best interests of the organisation at heart will be willing to go the extra mile to ensure that results are delivered. Employee

productivity exists when employees are involved in their own work-related decisions, thereby leading to increased results (Hall, 1996). If customers are to be delighted, employee productivity needs to deliver a level of service quality that exceeds customer expectations and goes beyond the level of service quality delivered by the organisation's competitors (Bateson and Hoffman, 1999). Loyal employees look for ways to solve problems and go beyond what the customer expects – they are willing to go the extra mile for both the customer and the organisation (Bateson and Hoffman, 1999). Therefore, if employees feel they are being treated well, they will develop a sense of loyalty towards the organisation and will be willing to dedicate their efforts to meeting (and possibly exceeding) customer expectations.

Management must lead front-line staff in such a way as to ensure they are loyal to the organisation. This loyalty can be nurtured through communicating with staff and developing a close relationship with them through internal marketing (Kaye, 1999). Internal marketing goes beyond merely listening to the employees and staff of an organisation, letting them know what is going on or what it is the firm is planning to do (Taylor and Cosenza, 1997). Internal marketing involves strategic planning aimed at reducing employee turnover and the high costs associated with constant employee turnover (Taylor and Cosenza, 1997). In this case, different marketing principles and practices are applied to those employees who are responsible for delivering service quality, and serving external customers. The strategic planning involved in internal marketing, attempts to ensure that the best possible people are employed and retained, and that these employees will do the best work they possibly can for the organisation (Taylor and Cosenza, 1997).

Employee turnover usually occurs as a result of employee dissatisfaction and can have serious disadvantages for an organisation. The cost of replacing an employee, and re-training him, is often higher than the cost of retaining an existing employee (Bateson and Hoffman, 1999). Therefore, employees can be

considered 'internal customers'.

3.3.2.4 Employee productivity drives value

According to Anderson and Narus (1998), value in business is the worth in monetary terms that a customer receives, in terms of the technical, economic, service, and social benefits, in exchange for the price he pays for a product offering. According to Heskett et al (1994: 166), "*customers tell us that value means the results they receive in relation to the total costs (both the price and other costs to customers incurred in acquiring the service)*".

It is imperative to any organisation to ensure that its employees deliver the highest level of service quality possible, in order to present a positive image to the customer, and increase the gap between an organisation and its competitors. As mentioned previously, the relationship that exists between an organisation and its customers is directly influenced and nurtured by front-line staff (Bateson and Hoffman, 1999). The responsibility of actually delivering a particular level of service quality rests on the shoulders of the service employees of an organisation (Parasuraman et al, 1985). These employees become what are known as the "face" of the organisation, as they are the people who represent the company in the eyes of the consumer, and come face to face with the customer during the service encounter (Bateson and Hoffman, 1999). Therefore, the attitude and responsiveness of the service employee will affect the way in which the customer perceives the organisation as a whole.

Although the ultimate responsibility for service quality may rest with the service employee, it is the manager's responsibility to ensure that employees are aware of what the company expects of them (Steers, Porter and Bigley, 1996). Internal marketing (as well as leadership) involves selling the organisation's image to the employees so that the employees believe in what they are selling and deliver the correct image to the customer (Kotter 1999).

Three important aspects need to be covered when training employees in the art of service delivery:

- Adjust the attitudes of all employees so that they understand and accept the fact that services marketing requires the involvement of everyone,
- Realise the role that each person plays in the customer relations of the organisation, and
- Improve the job related skills of the employees, in order to better equip them for service delivery and service failure

(Taylor and Cosenza, 1997)

With courteousness and friendliness, front-line staff can put an angry customer at ease and help to deliver value in the form of attention and problem solving. The attitude of front-line staff can severely impact the service encounter and the customer's perception of value (Freemantle, 1992). A positive attitude must emanate from front-line staff and this attitude must be set in motion and nurtured by top management (Yukl, 1998).

3.3.2.5 Value drives customer satisfaction

Today, customers have become increasingly aware of value (Heskett et al, 1997). With the increased amount of competition in various markets, customers can now go elsewhere if they are dissatisfied with a specific brand (Schiffman and Kanuk, 1997). Therefore, organisations need to offer good value for money if they hope to attract, satisfy, and retain customers. According to Naumann (1995: 15),

“The most important success factor for a firm is the ability to deliver better customer value than the competition. Good customer value can be achieved only when product quality, service quality, and value-based prices are in

harmony and exceed customer expectations. Delivering only good product quality will never guarantee survival.”

Companies who have achieved and maintained leading market positions over the last decade, have achieved their success through concentrating their focus on delivering value in one or all of the three categories of value (Griffin, 1995: 139–140), namely:

- Operational value – offering customers reliable products at a competitive price with little or no purchasing difficulty
- Customer intimacy – segmenting the market with great precision and targeting these consumers by producing products that meet the exact needs of this particular target market
- Product leadership – the organisation offers products that are leading edge and make the competitor’s products obsolete

The purpose of implementing any quality program is to create happy customers (Gale, 1994). Customer satisfaction is a measurement of success for any quality program, and customer value management aims to improve levels of customer satisfaction. Implementing customer value management requires the firm to establish what aspects of the offering – including both the service encounter and the end product - customers actually value (Heskett et al, 1994). This can be established by asking customers certain questions, such as (Gale, 1994):

- What are the attributes that count in your purchase decision?
- What is the relative importance of each attribute?
- How would you rank our performance score on each of these attributes – poor, fair, good, or excellent?

Five aspects that customers look for when assessing value (known as customer value basics) need to be remembered if an organisation wishes to deliver a level

of value that will lead to customer satisfaction:

- The customer defines the appropriate product quality, service quality, and acceptable price
- Customer's expectations of value are formed in light of competitive offerings
- Customer's expectations of value are dynamic and ever changing
- Both product quality and service quality are the responsibility of the entire channel and not only the manufacturer
- In order to maximise customer value, the entire organisation must be dedicated and committed, as a result of a positive working environment

Adapted from: Naumann (1995)

With the advances in technology, not only are there a vast amount of product alternatives; most products are similar in quality and features (Bateson and Hoffman, 1999). Therefore, organisations need to take heed of the fact that service has become one of the few differentiating factors left for most firms (Bateson and Hoffman, 1999). Technology has advanced to the point where there is little difference between competing firms, with regards to production costs and product features. As a result, an organisation needs to distinguish itself from the rest of the market by using value pricing and ensuring the highest possible levels of service quality (Parasuraman et al, 1985). Price can be a strong indicator of value when a customer evaluates the options available to him (Schiffman and Kanuk, 1997). Although this may be true, most consumers are willing to pay more for a product if the service that comes with it is of a high standard, or is at least at a higher standard than the service quality offered by all of the competitors. The disposition of employees affects the level of employee commitment, which in turn, affects the level of customer commitment and satisfaction (Holden, 1997). The interaction that takes place between the employees and customers builds relationships, and has a direct impact on the

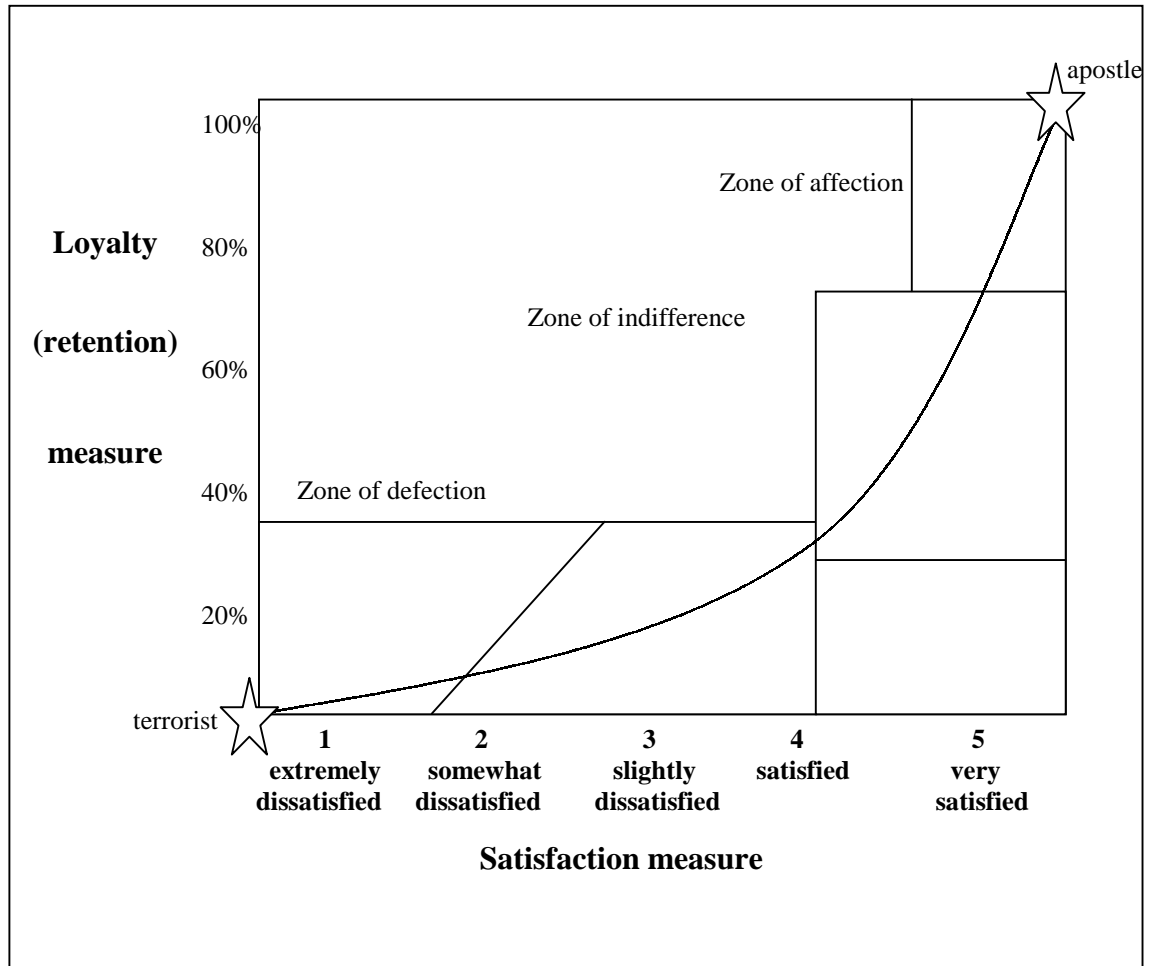
profitability of the organisation (Gronroos, 1994). The level of employee commitment affects the level of service quality and consequently, the level of customer satisfaction (Holden, 1997). Customer satisfaction is strongly influenced by the interaction and contact between a firm and its customers, and it is the nature of this interaction that influences the cognitions, attitudes, and evaluations formed by customers (Boschoff and Tait, 1996).

As soon as an organisation disappoints a customer, it loses business (Freemantle, 1992). Customer satisfaction occurs when customer expectations of product quality and service quality are met. Customers expect value for money and will therefore be satisfied with the company's offering if they feel that their expectations of product quality and service quality have been met (Parasuraman et al, 1985).

3.3.2.6 Customer satisfaction drives customer loyalty

With the increase of competitors in the same market, companies now have to do more than satisfy customers. With an array of options to choose from, customers hold all of the cards and customer satisfaction can very quickly become customer indifference, leading to consumers looking elsewhere for more than satisfaction (Heskett et al, 1997). Therefore, organisations need to ensure that service employees go that extra mile in order to ensure that customers are more than satisfied. If customers can be satisfied almost anywhere, they will want something special from the organisation they frequent. An organisation that delivers results that are above the level of expected behaviour will have customers that are happy with the level of service quality and product quality and will become steadfast and loyal. Figure 3.2 illustrates the importance of customer satisfaction in building a strong relationship with a customer, and reaping the rewards of customer loyalty. It also identifies the damaging effect of customer dissatisfaction, and illustrates the effects of varying levels of customer satisfaction.

Figure 3.2 A Satisfied Customer is Loyal



(Heskett et al, 1994: 167)

Apostle customers are those consumers who repeatedly purchase from the same organisation and constitute a large portion of the firm's sales. However, a customer will not become an apostle if his encounters with the service or product offering are negative (Christopher, 1992). Most customers who are initially dissatisfied will defect and go elsewhere for the same product (Freemantle, 1992). Therefore, it is essential for the organisation to ensure that customers are satisfied with the offering – which includes both the service encounter and the product itself - if they are to become loyal and unwavering.

The customer forms expectations about the value of a product, and customer satisfaction depends on the product's actual performance relative to a buyer's expectations (Kotler and Armstrong, 1999). Only once a customer is satisfied with the level of performance and quality received, will he have a favourable opinion of the product offering (Schiffman and Kanuk, 1997). Loyalty is the result of constant satisfaction with the same product offering (in terms of both the physical product and the service encounter). Consumers are not tolerant to organisations that fail to meet their expectations, and will soon switch to an alternative product if they are dissatisfied (Naumann, 1995). The chances of a repeat purchase are increased if the initial purchase encounter is a satisfactory one. Repeat purchasing can lead to brand loyalty and as a result, the customer will indulge in habitual buyer behaviour (Griffin, 1995). No other products will be considered when the consumer identifies that particular need again (Schiffman and Kanuk, 1997). According to Levitt (1983), the relationship between a seller and a buyer seldom ends when a sale is made, increasingly, this relationship actually intensifies after the sale and becomes the critical factor in the buyer's choice the next time around.

In most cases, as satisfaction increases, so does loyalty, especially in highly competitive markets, such as that of motor vehicles (Kotler and Armstrong, 1999). Customer needs are constantly changing and adapting, and this influences their expectations of how well their needs will be met by the organisation (Walker, 1990). Relationship marketing leads to increased customer satisfaction as a result of the organisation staying abreast of changes in their customer's needs. Constant communication with consumers is essential in developing a close relationship and enables the organisation to adjust the product offering according to changes in customer wants and needs.

Customers that are continuously satisfied will often develop brand loyalty and become what is termed 'loyal customers' (Reichheld, 1996). The advantages of customer loyalty are enormous and the disadvantages of customer dissatisfaction

are detrimental (Heskett et al, 1994).

3.3.2.7 Customer loyalty drives profitability and growth

Traditionally, managers attempted to improve profitability and growth by measuring market share and closely monitoring the organisation's position in the market (Reichheld and Sasser, 1990). However, with the advent of information technology, and new measures of service industries, it has been found that customer loyalty is a more important determinant of profit (Zeithaml and Bitner, 2000). According to Reichheld and Sasser (1990), a 5% increase in customer loyalty can yield an estimated 25% to 82% increase in profit. Therefore, it is more important for an organisation to monitor and improve the *quality* of its market share (in terms of loyal customers) as opposed to the *quantity* of its market share (in terms of once-off customers).

Griffin (1995) states that customer loyalty is vital to the success of an organisation because it achieves 'many happy returns' for the firm. These returns come in the form of profits and growth for the organisation (Heskett et al, 1997). Customer loyalty is worth ten times the value of a single purchase and most organisations are profitable as a result of their long-term customers (Griffin, 1995). A loyal customer is defined as a customer who:

- makes repeat purchases regularly
- purchases across product and service lines
- refers other potential customers to the product
- demonstrates an immunity to the pull of the competition

(Griffin, 1995)

Customer loyalty supplies the organisation with a constant base of customers and as a result, a constant demand for the organisation's offering (Adcock,

Bradfield, Halborg and Ross, 1993). This consistency in demand translates into stable and consistent sales and profits for the firm, as well as sustainable organisational growth in the form of increased market share (Heskett et al, 1997). Often, the majority of a company's profits may stem from a small amount of loyal customers (Zeithaml and Bitner, 2000). It is therefore important for an organisation to do all in its power to retain these loyal customers in order to maintain high profits and improve the organisation's position in the current market (Bateson and Hoffman, 1999).

“The only right way to run a company – and the most profitable way – is to saturate your company with the customer’s voice. Follow this practice and your customers won’t end up dissatisfied.”

(Whiteley, 1991: 41)

It is evident that relationship marketing is essential to the bottom line of any business. Relationship marketing focuses on nurturing the relationship between the organisation and the customer at almost any cost (Peck, Payne, Christopher and Clark, 1999). This relationship increases communication between the organisation and its customers, and allows the organisation to take advantage of lifetime customer value and loyalty (Levitt, 1983). However, lifetime customer value will only ever be realised if customers remain loyal to a specific brand, and this loyalty cannot be nurtured if the initial experience of the brand is not a positive one. Relationship marketing is a rewarding practice for any organisation wishing to protect both its profits and market position. The relationship between the organisation and the customer is beneficial to both parties (Gronroos, 1994). Customers who are well taken care of will feel satisfied and will have the security of knowing where to purchase a particular product or service should the need arise (Schiffman and Kanuk, 1997). Organisations benefit from loyal customers, through positive word of mouth, lower costs of retention (as opposed to attraction) of customers, and increased

profitability and growth (Bateson and Hoffman, 1999). From the above theory, the following table can be constructed, which represents the benefits of a caring relationship for both the organisation and its customers.

Table 3.1 Benefits of the Relationship between the Organisation and the Customer

ORGANISATIONAL BENEFITS	CUSTOMER BENEFITS
Constant demand	Constant satisfaction
Positive word of mouth to other potential customers	Peace of mind
Brand loyalty	Caring and help from the organisation
Increased profitability and growth	

From the above table, it is evident that these benefits lead to an improved quality of market share. The quality of market share is directly dependent on the level of customer loyalty. Market share figures will only drop if an organisation's customers are not loyal and start buying elsewhere. However, loyal customers stay with the organisation and supply a steady, solid customer base. This level of loyalty and solidarity is priceless to any organisation and must be nurtured at almost any cost. The cost of attracting new customers to an organisation is far higher than the cost of retaining a present customer (Bateson and Hoffman, 1999). Therefore, the advantages of customer retention and loyalty are numerous, not to mention essential, for the survival and growth of an organisation.

3.4 THE THREE CORE ASPECTS OF THE SERVICE PROFIT CHAIN

If customer loyalty drives profitability and growth, then the level of this loyalty is susceptible to the methods employed by the leader in an attempt to keep customers happy. In the case of employees and customers, leadership styles influence the relationship that exists between the organisation and its employees and customers. *“Leadership has always, and probably will always be, an important factor in human affairs”* (Kotter, 1988: 5). The Service Profit Chain states that leadership underlies the chain’s success and that only leaders who understand the importance of both employee and customer satisfaction can successfully implement and monitor the aspects of the Service Profit Chain (Heskett et al, 1994). Therefore, it can be argued that there are two main factors that affect customer satisfaction, namely: internal quality and leadership.

3.4.1 Internal Quality

The importance of customer satisfaction cannot be overstated, yet some companies fail to achieve a significantly high level of customer satisfaction (Holden, 1997). These organisations may not realise the importance of employee commitment, and the fact that low employee morale is apparent to customers, and severely reduces the level of service quality delivered to the organisation’s consumers (Holden, 1997). Internal quality can be defined as the quality of the working environment surrounding employees that contributes most to employee satisfaction, and is measured by the feelings that employees have towards their jobs, colleagues, and companies (Heskett et al, 1994). One of the strongest and best-documented influences on customer satisfaction is employee satisfaction (Heskett et al, 1997). Customer satisfaction is severely influenced by those employees that interact with consumers. These contact personnel represent the “face” of the organisation and indulge in an interaction with the consumer and therefore affect the attitudes and evaluations made by

customers (Boschoff and Tait, 1996). Due to the fact that service quality is intangible, and no physical product properties can be assessed, the customer has to rely on the experience attributes that can only be evaluated after the service encounter has occurred (Boschoff and Tait, 1996). Therefore, customer and employee satisfaction scores track closely together, and the goal of complete customer satisfaction is achieved through satisfied employees (Heskett et al, 1997). Customer commitment through employee commitment should be the goal of every organisation, because it is only through employee commitment that a high level of value can be delivered to the customer (Holden, 1997).

3.4.2 Leadership

Effective leadership focuses on the delivery of value to the customer, by concentrating on employees and customers (Nicholls, 1994). A successful leader recognises what it is the organisation's employees need and desire, and clarifies for the subordinate how these needs will be met in exchange for a satisfactory level of performance and subsequently, a high level of delivered value (Bass, 1985). The focus of leadership, in attempting to improve employee productivity, should be on improving the level of internal quality surrounding an organisation's employees. Over time it has become apparent that accomplishing the necessary tasks does not lead to productive employees. People accomplish tasks, which lead to productivity, and the manner in which people are required to work, can affect relationships and emotions, which in turn, can directly impact upon their level of productivity (Hall, 1996). Therefore, the level of internal quality and subsequent productivity of employees is of primary concern for leaders attempting to achieve a high level of customer satisfaction through the delivery of value.

Therefore, of the seven links in the Service Profit Chain, three core aspects can be identified:

Leadership - underlies the success of the Service Profit Chain and directly impacts upon the relationship between the organisation and its employees, and the internal quality of the organisation (Heskett et al, 1997).

Internal quality – influences the satisfaction, loyalty, and productivity (which includes value) of employees, brought about by the internal quality (working conditions) of the organisation (Heskett et al, 1994).

Customer satisfaction – includes the satisfaction and loyalty of consumers as a result of the direct interaction with front-line employees and subsequent relationship with the organisation (Bateson and Hoffman, 1999). The result is the following relationship, which is represented in Figure 3.3.

Figure 3.3 The Relationship between Leadership Styles, Internal Quality, and Customer Satisfaction:



3.5 SUMMATION

The Service Profit Chain identifies various links that occur in the process of delivering service quality and improving customer satisfaction levels (Heskett et al, 1997). Profitability occurs as a result of an organisation's customers being satisfied and eventually becoming loyal. In most cases, the majority of an organisation's profits stem from a constant demand from satisfied and loyal customers. It is therefore imperative for the success of any organisation, to ensure that customers remain loyal (Bateson and Hoffman, 1999). The only way to obtain loyal customers, is to ensure a steady relationship with them through the consistent delivery of a high level of service quality (Griffin, 1995).

Satisfied customers return to the same organisation because they know that their expectations of service quality will be met. Customers will switch to another organisation if they are dissatisfied (Christopher, 1992). It is therefore evident that customer satisfaction leads to customer loyalty. The level of customer satisfaction experienced, is a function of the value of the product, as perceived by the customer (Heskett et al, 1994). According to the Service Profit Chain, employee satisfaction and loyalty influence the level of employee productivity and subsequent product value, thereby influencing the level of customer satisfaction of the service organisation (Heskett et al, 1994). Productive employees are those employees who experience a positive working environment (Hall, 1996). The working environment surrounding an employee affects his attitude towards his job, co-workers, and the organisation as a whole (Heskett et al, 1994). The leader of the organisation must nurture a relationship with the organisation's employees and ensure that this relationship is mutually beneficial (Wall et al, 1992), thereby leading to internal quality.

The Service Profit Chain therefore consists of three core variables: leadership, internal quality, and customer satisfaction. The leadership style being practised within an organisation influences the working environment surrounding its employees (Wall et al, 1992). The working environment surrounding employees is known as the internal quality of the organisation (Heskett et al, 1997). The level of internal quality is the responsibility of the leader, and affects the level of service quality delivered by front-line staff. The level of service quality influences the satisfaction experienced by the customer (Parasuraman et al, 1985). Therefore, using the Service Profit Chain as a guide, one can propose a relationship between the leadership styles, internal quality, and customer satisfaction levels of an organisation. If leadership underlies the success of the Service Profit Chain, then one must analyse leadership and its effect on internal quality. The following chapter discusses leadership theory and the leadership requirements of South Africa today. Internal quality and the Competence Process will be discussed in more detail in chapter five of this research.

CHAPTER FOUR

LEADERSHIP

4.1 OVERVIEW

This chapter discusses the evolution of leadership theory as it has progressed from the past into the present, and how it has evolved as a result of changes in both organisational and employee needs in today's business environment. Leadership will be compared to management, and the reasons for choosing to analyse leadership as a facet of management will be explained. Leadership will be discussed in terms of the trait theory, behavioural approaches, and situational or contingency approaches. The various leadership styles that have been identified by the theory available on leadership will also be discussed. An overview of the leadership requirements in South Africa today, and the effects of leadership on the working environment and the level of productivity of followers, will also be presented. The Full Range Leadership Development Theory will be critically reviewed in terms of how it has been used to measure transformational and transactional leadership, and the limitations of the Full Range Leadership Development Theory will be discussed.

4.2 WHAT IS LEADERSHIP?

Leaders have shaped history and brought about war, peace, suffering, and freedom (Bennis and Goldsmith, 1994; Vecchio, 1997; Yukl, 1998; Kotter, 1999). Leaders are those people who are capable of turning their beliefs and visions into reality, through the power and influence they exercise over other people (Bennis and Nanus, 1985). In an organisational context, leaders do the same; they influence employees and exercise their power and authority in an attempt to inspire their followers to achieve the overall organisational vision (Steers et al, 1996; Quarendon, 1997; Senior, 1997; Kotter, 1999).

Although the term 'leadership' conjures up different images for each individual, each of these images has a common thread. Each image includes the vision of a human being that has great skill, courage, and a pull towards success and innovation. An army can perform its various tasks with the backing of good administration and management, but a sound leader must be at the very top of the ladder if success is to be realised (Kotter, 1999). The topic of leadership may come in and out of focus, but it never ceases to attract the attention of both academic and business audiences (Vecchio, 1997). Over the years, our understanding of leadership has changed. Although the basic constructs have remained the same, the understanding of what leadership is, who can exercise it, and the impact of leadership on followers, has changed considerably (Bennis and Nanus, 1985). In an organisational context, the role of leadership is imperative in enabling strategic planning to take place, thereby helping the organisation to become more streamlined and efficient, by defining the vision of the organisation (Quarendon, 1997).

There are many definitions of leadership, and most are vague and ambiguous. Due to the extensive theory available on this topic, and the varying definitions of leadership, it can be argued that the meaning and impact of leadership may be dependent on the type of environment within which it is practised.

The central theme of most definitions describes leadership as a *process*, an *interaction*, and a *personality*. Leadership is a process by which a person exerts influence over his subordinates in an attempt to inspire, motivate, and direct the actions of these subordinates towards a specific organisational goal (Certo, 1994; Jones and George, 2000). Leadership can also be defined as an interaction between personalities and circumstances, as perceived by the group being led (Kroon, 1990). The personality of a leader influences his behaviour and ultimate effectiveness (Kotter, 1999). One definition that covers the majority of aspects concerning leadership, is identified as follows:

“Leadership has been conceived as the focus of group processes, as a matter of personality, as a matter of inducing compliance, as the exercise of influence, as particular behaviours, as a form of persuasion, as a power relation, as an instrument to achieve goals, as an effect of interaction, as a differentiated role, as an initiation of structure, and as many combinations of this definition.”

(Bass in Vecchio, 1997: 17)

A good business leader must understand the importance of employees in achieving the ultimate goals of the organisation, and that motivating these employees is of paramount importance in achieving these goals (Wall et al, 1992).

The means of measuring leadership effectiveness are as varied as the definitions of leadership itself. Leadership effectiveness is often measured in terms of the consequences of the leader’s actions, the extent to which an organisation performs its tasks and attains its goals, and how well the leader fulfils the needs and desires of his followers (Yukl, 1998). Leaders are effective when the influence they exert over their subordinates works towards achieving the organisation’s goals (Jones and George, 2000).

4.3 WHY LEADERSHIP?

Many authors (Adair, 1988; Quarendon, 1997; Senior, 1997; Kotter, 1999) make a distinction between management and leadership, yet agree that leadership forms part of management. Some authors take it for granted that management and leadership are terms that are synonymous and can be used interchangeably. However, for the purpose of this study, these two terms will not be interchangeable or used synonymously.

Although it is possible for one person to be both a manager and a leader,

management and leadership are inherently different. Leadership should be practised in addition to management, it should not replace management (Daft, 1999). Leadership is a sub-set of management and one cannot succeed without the other (Adair, 1988).

Management and leadership differ in many respects. One difference is that leaders use power to influence employee actions, and this involves a considerable amount of risk (Zaleznik, 1977). Managers do the right things whereas leaders do things right (Bennis and Nanus, 1985).

A distinction can be made whereby management deals with the formal aspects of the organisation - policies, procedures, and production, and leadership deals with the informal aspects of the organisation - the individual and the team (Senior, 1997). According to Zaleznik (1977), managers and leaders differ fundamentally in their attitudes towards their goals, their work, and their relationships with people, and themselves. Watson (in Quarendon, 1997), elaborates on this distinction between managers and leaders according to his 7-S framework which is presented in Table 4.1. This framework identifies seven key functions for management and leadership, and separates these functions according to those executed by managers, and those executed by leaders. Watson (in Quarendon 1997) suggests that the 7-S's tend to be prevalent in leaders, while managers are not able to master all of the seven factors.

Table 4.1 Watson's 7-S Framework

MANAGER	LEADER
Strategy	Style
Structure	Staff
Systems	Skills
	Subordinate

Watson's 7-S framework states that the four "soft S's" are the functions fulfilled by leaders, and constitute the "people" side of the organisation, whereas managers fulfil the functions identified by the three "hard S's" that constitute the "tasks and procedures" of the organisation (Quarendon, 1997).

The roles of a manager, as prescribed by Mintzberg (1973), have led to the identification of a distinct difference between those functions fulfilled by a leader and those functions fulfilled by a manager. Mintzberg (1975) elaborated on the original managerial roles of planning, co-ordinating, controlling, commanding, and organising, and identified what he felt are the main functions of a manager. *Managing by information* was the first role identified and occurs when a manager acts as a monitor and disseminator of information, and a spokesperson for information, in an attempt to drive others in the organisation to take action. In this role, the manager is not concerned for either people or procedures, but focuses rather on making the applicable information available to others in an attempt to make things happen (Mintzberg, 1994). The second role, *managing through people*, was identified as a management process whereby people (and not the manager himself) become the means for action. Also known as the 'interpersonal role' of the manager, these roles constitute the leadership section of management. It should be noted here, that leadership permeates all functions of the organisation to some extent. The third role, identified as *managing by action*, occurs when managers not only manage information or the actions brought about by people, but they also successfully manage their own direct involvement in action (Mintzberg, 1994).

It is therefore clear that by identifying these roles, Mintzberg established those functions of management that constitute leadership (Senior, 1997). Interpersonal roles identified by Mintzberg constitute the leadership section of management, because leadership involves the relationship between the leader and those people who are being led (Mintzberg, 1973). Leadership effectiveness is measured by the extent to which leaders fulfil the needs of their followers in

exchange for productivity and value, thereby achieving the overall goals of both the organisation and its employees (Yukl, 1998). On the other hand, management effectiveness can be measured in terms of the relationship the manager has with the organisational environment (Morgan, 1988). Managers are concerned primarily with procedures and policies, and leaders are concerned with the employees of the organisation (Senior, 1997). The major distinction between managers and leaders is their concern for “task” or their concern for “people”. However, these two distinctions need to start growing together if a manager is to realise success in the future (Adair, 1988).

The success of any organisation is dependant on the leader's ability to optimise human resources (Charlton, 1993). To have an effective organisation, one needs to provide for effective and stimulating relations between the people involved in the organisation (Paulus, Seta and Baron, 1996). Employees are of paramount importance to the success of any organisation. An organisation must realise that its people - and not its policies - produce profits over the long term, and when people are neglected, they operate at levels that are well below their capacities, eventually leading to eroded profits (Hickman and Silva, 1984). Flanagan and Finger (1998) argue that managers must correct their employee performance problems and help employees to grow professionally, in order to allow employees to contribute to the organisation while advancing their own careers. According to the Competence Process developed by Hall (1996), managers need to value and properly manage employee competence if employee productivity is to be truly nurtured. Human competence is increasingly important in distinguishing average from excellent, and leadership is a crucial element of developing people (Charlton, 1993). It is therefore clear that, when attempting to establish the effects that managers have on employees and their performance, one must analyse the leadership being practised by each manager and the consequences thereof.

There are many theories of leadership that have been developed over time. A

brief overview of these theories will now be presented.

4.4 TRADITIONAL LEADERSHIP APPROACHES

Studies of leadership have brought about three leadership approaches that have been developed, in an attempt to establish what it is that distinguishes a leader from his followers (Du Pree, 1989). Each theory has been developed over a certain period of time, by analysing particular aspects of people in positions of power (Mintzberg, 1973; Yukl, 1998; Senior, 1997). By expanding on what it is that makes a leader successful, each theory has been developed in an attempt to improve upon the one that came before it (Yukl, 1998). These theories attempted to identify various leadership styles. The general manner in which leadership is practised, is known as a “leadership style” (Barling, Fullagar and Bluens, 1983). Each of these leadership styles describes different dimensions of leadership, and has its own effect on the relationship between the leader and his followers. The three theories that have been developed over time are known as the trait theories, behavioural approaches, and situational/contingency approaches, each of which will now be discussed.

4.4.1 Trait Theories

Many early studies attempted to identify certain traits of leaders, and were based on the assumption that particular social, physical, and personal traits are inherent in all leaders (Hellriegel, Jackson and Slocum, 1999). Researchers such as Bernard (1926), Kilbourne (1935), and Stogdill (1974) have tested and studied the impact of traits on leadership. People in positions of power and influence were analysed in terms of their age, height and weight, physique, energy and health levels, eloquence, and appearance (Bass, 1990). The trait approach attempts to explain the leader’s effectiveness in terms of the personality and psychological traits of the leader (Maude, 1978).

Bass (1990), indicates that the factors affecting leadership, in the context of trait theories, can probably be classified under the following five headings:

- *Capacity* – intelligence, alertness, verbal facility, originality, and judgement
- *Achievement* – scholarship, knowledge, and athletic accomplishment
- *Responsibility* – dependability, initiative, persistence, aggressiveness, self-confidence, and the desire to excel
- *Participation* – activity, sociability, co-operation, adaptability, and humour
- *Situation* – mental level, status, skills, needs and interests of followers, objectives to be achieved, and so on

Prior to 1945, the most common approach to leadership studies concentrated on the traits and qualities of various leaders, and suggested that certain traits were inherent in all leaders and were transferable from one situation to another (Hersey and Blanchard, 1988). Most studies identified *emotional intelligence* as a crucial element for the success of a leader and as an important resource for any group. However, some situations may prevent a leader from using emotional intelligence, such as poor relations with their boss, poor interpersonal relationships, and a non-directive leadership style (Senior, 1997).

Although this research presented a starting point for the study of leadership, it was found that in over a hundred studies, only 5 per cent of the traits listed were common in four or more of the studies (Maude, 1978). This approach to leadership also suggests that leaders are born and not made. Trait research has led to the identification of some traits that are inherent in most leaders (Maude, 1978). These traits include emotional intelligence, having an extrovert personality (charisma), dominance, masculinity, conservatism, and being better adjusted than non-leaders (Senior, 1997). However, as Yukl (1998) observes, this old assumption has been completely discredited, and the belief that certain traits are absolutely imperative for successful leadership, has not been adequately proven or substantiated by the many decades of trait research. A

pattern of behaviour that comes about as a result of these traits, and the way in which a leader goes about motivating employees, in an attempt to inspire these employees to achieve the organisation's overall vision, determines the style of leadership being practised (Vecchio, 1997). Leaders who possess charisma practice charismatic leadership, and it can be argued that charismatic leadership is a leadership style that forms part of transformational leadership.

4.4.1.1 Charismatic/Inspirational Leadership:

Charismatic leaders exude great self-confidence, have a strong need for power, and strong convictions in their beliefs and values (Yukl, 1998). Their followers have high levels of satisfaction and motivation over differing periods of productivity (Fiedler and House, 1988). According to Waldman (1999), a volatile environment can heighten the effect and influence of charismatic leadership. A high level of self-confidence and a great conviction for his beliefs means that the charismatic/inspirational leader has a talent for inspiring his followers and instilling in them a passion for achieving the overall vision of the organisation (Bass, 1990).

More recently, researchers moved away from assessing individuals in terms of traits, and moved onto assessing how leader behaviour contributes to the success or failure of leadership (Daft, 1999). The concept of leadership progressed past the opinion that there is "one best way to lead", and theorists began to concentrate more on how a leader ought to *behave* in order to be effective (Senior, 1997).

4.4.2 Behavioural Approaches to Leadership

The behavioural approach to leadership studies suggests that it is the behaviour of the leader, rather than the personal characteristics of the leader, that affects followers (Shriberg, Lloyd, Shriberg and Williamson, 1997). Extensive research

has been conducted in this area. The two most prominent and significant studies are the Ohio State University and University of Michigan studies (Shriberg et al, 1997). The University of Michigan studies define leadership in terms of behaviour that is either employee-centred or production-centred, which is similar to the descriptions of leadership styles defined by the Ohio researchers (Senior, 1997). These two studies led to the definition of leadership in the context of either task or people centred. Another study that defines leadership in this way is the Managerial Grid Model. As prescribed by Blake and Mouton (1964), this research identifies five leadership styles, each of which exhibit different levels of concern for task and concern for people. The difference between this study and the others is that the Managerial Grid Model identifies five combinations of task centred and people centred behaviour, each combination containing different magnitudes of the two behaviours.

McGregor (1960) developed Theory X and Theory Y, and observed similar results in leadership behaviour. This model identifies two types of leadership behaviour. *Theory X* represents the leadership style whereby leaders tell subordinates what is expected of them, how to perform their tasks, insist upon certain standards being met, and ensure that all employees know their place. *Theory Y* represents the leadership style whereby leaders consult with their followers, seek their opinions, and make sure that their followers are involved in the decision making process (Hellriegel et al, 1999).

Therefore, the central theme that has emerged from a number of behavioural approaches is a distinction between production-centred or people-centred leadership behaviour. However, Wright (1996) maintains that, apart from the two main leadership styles identified by the behavioural approaches to leadership, namely *concern for task* and *concern for people*, two other main leadership styles can also be identified. The third leadership style is identified as *directive leadership* and refers to the extent to which the leader makes all of the decisions concerning group activities and expects followers to follow

instructions. This style of leadership is also known as authoritarian or autocratic leadership. The fourth style of leadership is *participative leadership* and is defined as the extent to which the leader shares the responsibilities of decision making with his followers. This leadership style is also called democratic leadership (Wright, 1996). Another definition of leadership behaviour patterns was identified by White and Lippin (in Barling et al, 1983). These authors identified both autocratic and democratic leadership. However, they also identified a third leadership style known as *laissez-faire* leadership. This style of leadership is said to exist when leaders attempt to avoid influencing their subordinates, and reduce their supervisory duties (Barling et al, 1983).

The major limitation of these behavioural theories is their exclusion of situational factors on the level of leader effectiveness. The question still remains as to whether one particular method of leading is appropriate - irrespective of the stage of development of the organisation, the environment within which the organisation functions, or the people who work for the organisation - or if different leadership styles and behaviours are required to suit varying situations facing the organisation (Senior, 1997). In the 1970's, the situation within which the leader functions began to take on an all-important stance (Barling et al, 1983). Results from studies conducted during this period focused on two broadly defined categories of behaviour. In order to make further progress in understanding how leaders affect subordinate satisfaction and productivity, researchers found it necessary to focus more on specific aspects of leader behaviour that are related to the requirements of the situation and intervening variables (Yukl, 1998).

4.4.3 Situational/Contingency Approaches to Leadership

The 3-Dimensional Theory of Situational Leadership developed by Reddin (in Vecchio, 1997) proposes that there is a relationship between the leadership style adopted by a particular leader and the situation that surrounds this leader.

Situational leadership studies the behaviour of leaders and their followers in varying situations (Hersey and Blanchard, 1988). Situational leadership looks at three elements in the leadership process: the leader, his followers, and the situation itself (Shriberg et al, 1997). Various theories have emerged as a result of studies of situational leadership. These include studies conducted by Tannenbaum and Schmidt (1973), House (1971), Fiedler (1964), and Hersey and Blanchard (1977).

Tannenbaum and Schmidt (1973) do not support the “one preferred leadership style”. They suggest that leaders should move along a continuum, selecting the style of leadership that is best suited to the prevailing situation. The continuum moves from one extreme known as ‘subordinate-centred leadership’ - where leaders and followers make decisions together - and the other extreme, ‘boss-centred leadership’ - where the leader makes all of the decisions and tells the followers what to do. Tannenbaum and Schmidt (1973) identify three forces that should be taken into account when determining the appropriate style of leadership. The first force exists in the manager and includes the skills, expertise, personal characteristics, values, and attitudes that will affect the leadership style to be adopted. The second force exists within the subordinate. Employees vary in terms of the level of support required, knowledge and experience of the work, commitment, expectations of leadership behaviour, and previous experiences of leadership behaviour. The last force exists as a result of the situation, and can be divided into two areas: firstly, the *nature* of the task itself and secondly, the *context* within which the leadership behaviour takes place (Tannenbaum and Schmidt, 1973).

The Path-Goal Theory developed by House (1971), suggests that effective leaders clearly specify tasks, reduce obstacles to task achievement, and increase the opportunities for task satisfaction, thereby increasing the chances of job satisfaction for all employees. This theory identifies four leadership styles. The first style is known as *achievement orientated leadership*, and occurs when the

leader sets challenging goals, expects the highest level of performance from his followers, and shows confidence in the fact that employees will be able to meet this challenge. The second leadership style is known as *directive leadership* and is practised when the leader lets the followers know what is expected of them and how to go about performing certain tasks. *Participative leadership* is the third leadership style identified by this theory, and occurs when the leader involves his followers in the decision making process. The last leadership style is defined as *supportive leadership*, and is evident when the leader is approachable and friendly, and shows concern for the well being of his followers (Yukl, 1998).

Fiedler (1964) developed the Contingency Theory. This theory suggests that there are two main types of personality attributes for leaders, each of which is best suited to a particular type of situation. The first personality type is known as *task-motivated leadership* and occurs when leaders perform most effectively in situations of very high or relatively low control. The second personality type is known as *relationship-motivated leadership*. These leaders perform most effectively in situations of moderate control (Fiedler and House, 1988).

The Situational Leadership Theory developed by Hersey and Blanchard (1977) concentrates on the readiness of the leader's followers (Senior, 1997). This leadership theory states that the maturity level of the subordinate determines the effectiveness of leadership behaviour. Two levels of individual maturity are identified. The first level is defined as *job maturity*, and includes the level of skills and task-related knowledge of the subordinate. The second level is identified as *psychological maturity* and is described as the level of self-respect and self-confidence that the subordinate has for himself (Hersey and Blanchard, 1977). Hersey and Blanchard (1977) identify four leadership styles with varying degrees of relationship behaviour and task behaviour. These are defined as follows:

- Provide specific instructions and closely supervise performance (low relationship behaviour and high task behaviour)
- Explain your decisions and provide opportunity for clarification (high relationship behaviour and high task behaviour)
- Share ideas and facilitate in making decisions (high relationship behaviour and low task behaviour)
- Turn over responsibility for decisions and implementation (low relationship behaviour and low task behaviour)

Once again, this leadership theory prescribes a style of leadership to the varying combinations of concern for relationships (with people) and concern for tasks (production), with the appropriate leadership style being that which is contingent upon the characteristics and attitudes of those who are being led.

Situational approaches to leadership have come about as a result of attempts to build upon and improve the trait theories and behavioural approaches to leadership theory. The combination of various elements identified by these approaches has led to the recognition of various patterns of conduct and as a result, the identification of different leadership styles (Vecchio, 1997). Leadership styles can therefore be defined as the behaviour of an organisation's leader as influenced by the situations surrounding that leader (Senior, 1997). Therefore, it is evident that the style of leadership practised by a leader is dependent on the type of situation that surrounds the leader, and the way in which the leader chooses to behave as a response to these circumstances. Effective leadership is therefore a function of matching the behaviour of the leader – as a result of his priorities - to the situation facing the leader (Vecchio, 1997). This raises the question of what situations and circumstances facing South African leaders need to be addressed and analysed, in order to establish the style of leadership required for optimum employee productivity.

4.5 LEADERSHIP REQUIREMENTS FOR SOUTH AFRICA TODAY

“Some leaders believe the performance of an organisation depends upon the quality of its personnel. This is a flawed premise for, in reality, it is the quality of the organisation’s leadership which will dictate whether or not the talents and commitment of its people will become manifest and expressed in the work of the organisation.”

(Maritz, 1995: 1)

With the change of organisations and their environments, a less bureaucratic and more democratic style of leadership is needed for organisational survival (Johnson, 1995). Organisational environments are becoming more competitive over time, and the rate of change will not be slowing down in the near future (Kotter, 1996). According to the World Competitiveness Yearbook (April 2000), South Africa is ranked 38 out of 47 countries in terms of competitiveness, with a score of only 22,96 out of 100. This indicates that, as a result of low employee productivity levels, competitiveness in South Africa is low. This calls for a leadership style that is capable of increasing productivity through employee motivation and commitment.

It has been proven that the motor vehicle industry of South Africa contributes substantially to the South African economy (Green, 1999). The South African motor vehicle industry has recently been exposed to global trends, and this has increased the pressure on the industry to compete on an international scale (McKenna, 1997). In comparison to the rest of the world, South African motor vehicles are more expensive to produce (Green, 1999). In an attempt to address the backlog caused by apartheid, black political groups have called for an increase in wages and salaries, thereby leading to an increase in the general price of some motor vehicles (Breitenbach, 1992). According to Kleynhans (1994), in the South African motor vehicle industry, too much labour is employed relative

to capital goods. As a result, it has never been more important for the motor vehicle industry of South Africa to improve their levels of employee productivity.

South African organisations wanting to compete in today's rapidly changing market place will have to focus their attentions on the issue of achieving productivity through the employees of the organisation (Carrell, Elbert, Hatfield, Grobler, Marx and Van der Schyf, 1997). Therefore, the leadership style needed for South African organisations must inspire followers, and deal individually with subordinates, to meet their developmental needs and encourage new methods of problem solving (Carrell et al, 1997).

According to Elgood (1993), bureaucracy in organisations limits thought and is becoming out of date as a result of its inability to adapt to modern organisational environments. With the advent of the information age, and the fact that the environment surrounding most organisations today are becoming more dynamic, a new leadership style must be adopted in order to suit the changing needs of the organisation and its employees (Kotter, 1996). This leadership style should be one that encourages followers to use their knowledge and expertise for the better of the organisation.

Organisations are facing an increase in worldwide competition, declining business confidence, and immense changes in corporate structures and the workplace as a whole (IPM Journal, 1990). The challenge facing leaders in South Africa today, involves changing the business within which a leader functions, while still running the organisation as effectively and efficiently as possible (Carrell et al, 1997).

According to Bass (1994: 1), *“Fundamental and long term changes are required. It is clear that the development of more transformational leadership is a must for South Africa.”*

Transformational leaders teach their subordinates how to become transformational leaders in their own right (Bass, 1994). In other words, the followers of transformational leaders learn how to be leaders within their own business unit or area of expertise. If each employee has a particular skill or area of expertise, and the leader allows each employee to use those skills productively, the organisation will develop a positive working environment that is more conducive to productivity. This will increase the level of teamwork and collaboration amongst employees (Bagshaw and Bagshaw, 2000). People have the capacity to perform and be productive, but the opportunity to do so changes according to the leadership style adopted by the organisation (Hall, 1996). Subordinates have the capacity to perform as required, and transformational leaders motivate their subordinates to perform better than they originally expected (Bass, 1985). Transactional leaders identify and clarify the roles and tasks required of subordinates in order to reach desired outcomes, and this gives employees sufficient confidence to achieve the desired level of productivity and outcomes (Bass, 1985). Therefore, a new leadership approach developed for the needs of South African organisations should include both transactional and transformational leadership styles in order to release a higher level of employee productivity.

In the motor vehicle industry, customer satisfaction can easily lead to customer loyalty (Kotler and Armstrong, 1999). In any motor vehicle dealership, there is a high level of interaction between front-line staff (those staff dealing directly with the customers) and the customer. Even those employees that do not have direct contact with customers (such as mechanics, who repair and maintain the motor vehicles) have a severe impact on the satisfaction experienced by each customer through their level of productivity. Consequently, it is of paramount importance that a positive working environment, which is conducive to productivity, surrounds all employees and as a result, maintains customer satisfaction. Leaders have a direct impact upon the internal quality surrounding employees (Heskett et al, 1997). Therefore, the leadership style being practised

in a motor vehicle dealership needs to be one that nurtures internal quality, thereby increasing employee productivity.

It is argued that the following leadership theory addresses the challenges facing South African leaders with regard to productivity, by measuring the extent to which leaders are transformational or transactional. This leadership theory also measures the extent to which leaders affect the level of internal quality within the organisation through their interaction with employees.

4.6 A CONTEMPORARY LEADERSHIP APPROACH

The Full Range Leadership Development Theory was developed by Bass and Avolio (1994), and states that the most effective form of leadership is the combination of both transformational and transactional leadership. The Full Range Leadership Development Theory has its roots in the trait and behavioural approaches of leadership theory, and draws on these approaches in order to articulate leadership in terms of transactional and transformational leadership styles (Bass and Avolio, 1994). After extensive research into transformational and transactional leadership behaviours, Bass and Avolio (1997) identified seven leadership factors (Bass and Avolio, 1997). The transformational factors that emerged were identified as charisma (or idealised influence), inspirational motivation, individualised consideration, and intellectual stimulation. The transactional factors that emerged were labelled as contingent reward and management by exception. Laissez-Faire or “hands-off” leadership was identified as a nontransactional factor (Bass and Avolio, 1997). At this stage, it is important to note that Management-by-Exception has both active and passive dimensions. When it is the dominant or even single leadership orientation used by a target leader, Management-by-Exception is ineffective, with such leaders neglecting the developmental needs of employees (Bass and Avolio, 1997). Although not discussed in detail in this research, the outcome factors associated with effective leadership are also assessed by the Full Range Leadership

Development Theory, namely: extra effort by associates, individual, group, and organisational effectiveness, and satisfaction with the leader.

A number of researchers (Singer, 1985; Singer and Singer, 1989; Yammarino and Bass, 1990; Ristow, Amos and Staude, 1999; Kelloway, Barling and Helleur, 2000) have tested the Full Range Leadership Development Theory for different reasons and in different contexts. These studies provide empirical support for the Full Range Leadership Development Theory as a measure for transformational and transactional leadership in different organisational circumstances.

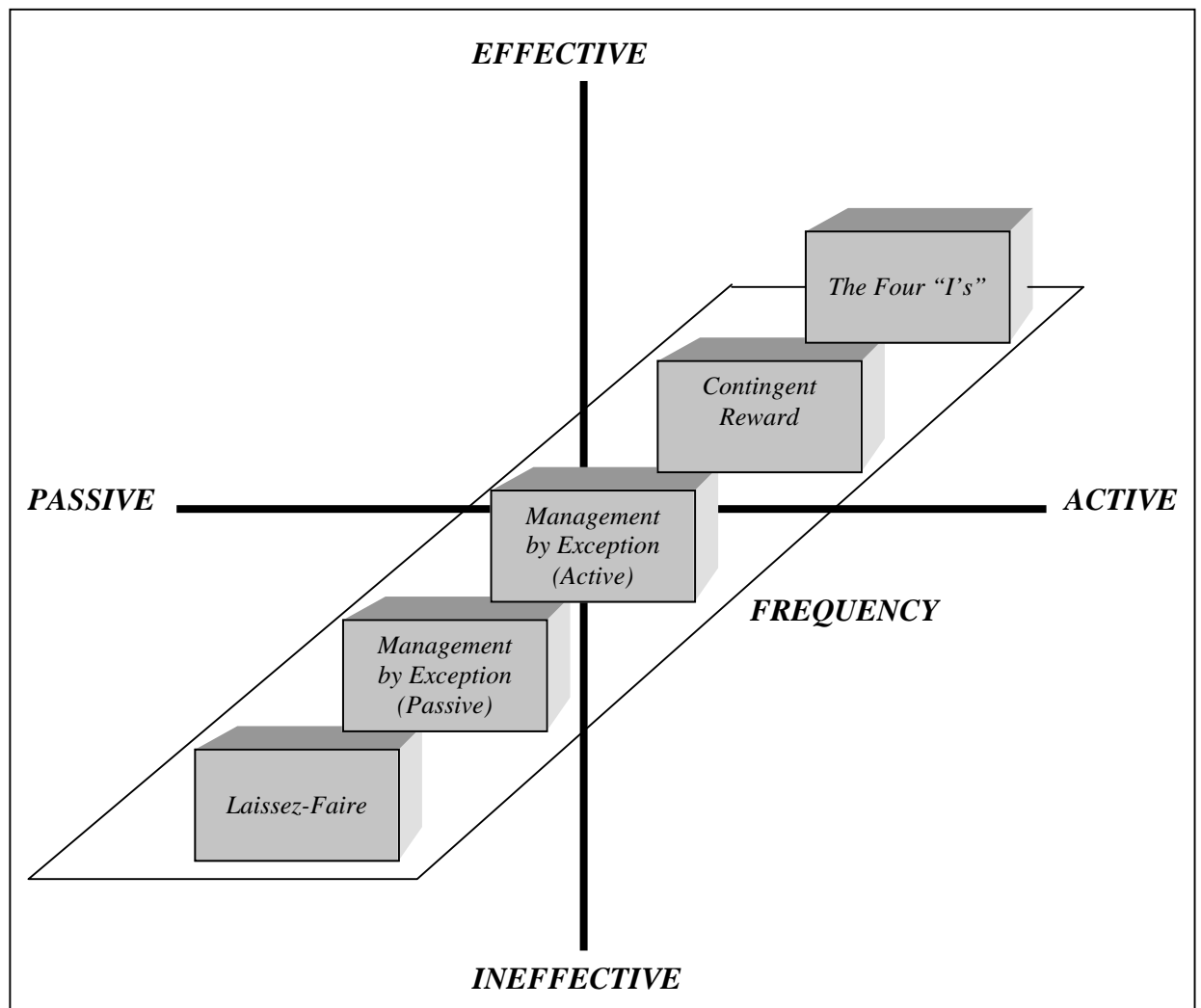
The Full Range Leadership Development Theory has also been tested in South Africa (Ackermann, Schepers, Lessing and Dannhauser, 2000; Ristow et al, 1999). Ackermann et al (2000) conducted research in order to determine whether the factor structure of the Multifactor Leadership Questionnaire - as a measure of transformational, transactional, and nontransactional leadership - could be replicated within the South African context. Using Cronbach's coefficient Alpha, the factor structure conceptualised by Bass was largely confirmed by Cronbach Alpha coefficients of 0.944, 0.736, and 0.803 for transformational, transactional, and nontransactional leadership respectively (Ackermann et al, 2000). Figure 4.1 on the following page, illustrates the leadership factors identified by the Full Range Leadership Development Theory, the extent to which each of these leadership behaviours are active, passive, effective, and ineffective, and the frequency with which these behaviours are practised within an organisation.

4.6.1 Transactional Leadership

According to Bass and Avolio (1990), transactional leaders enhance the follower's readiness to produce and perform at expected levels, by offering rewards for acceptable employee performance. This performance results in the

performance standards. Transactional leaders are those leaders who implement structure and are considerate towards their employees (Senior, 1997). As the name suggests, transactional leaders indulge in a process of communication with employees in an attempt to strike a bargain between the needs and desires of the employees, and the overall vision of the organisation. A transactional leader motivates the organisation's employees by offering rewards in exchange for performance (Bass, 1985).

Figure 4.1 Model of the Full Range Leadership Development Theory



(Bass and Avolio, 1997: 41)

In assessing transactional leadership, the Full Range Leadership Development Theory identifies the following components (Bass and Avolio, 1990):

- **CONTINGENT REWARD:** This behaviour constitutes a good relationship between the employees and the leader, due to the fact that employees feel that their work efforts are being recognised by a higher authority, and rewards are offered for their extra effort (Bass, in Vecchio, 1997). Contingent reward involves an interaction between the leader and his followers whereby the leader supplies suitable rewards when subordinates meet the agreed-upon objectives. Therefore, contingent reward constitutes the most active and effective component of transactional leadership behaviour.

- **MANAGEMENT BY EXCEPTION (Active and Passive):** Transactional leaders monitor and evaluate performance very closely and performance is strictly controlled in order to ensure as few deviations as possible (Bass, in Vecchio, 1997). Management by exception (active) exists when the leader monitors his subordinates in such a way as to ensure that mistakes are not made, and allows the status quo to exist without being addressed (Bass and Avolio, 1997). As is evident from Figure 4.1, management by exception (active) is slightly more active and effective than management by exception (passive). Management by exception (passive) occurs when the leader becomes involved only once mistakes are made, and attempts to make the necessary corrections (Bass and Avolio, 1997).

- **LAISSEZ FAIRE:** This behaviour indicates an absence of leadership, or the avoidance of involvement, or both (Bass and Avolio, 1997). As is evident in Figure 4.1, this leadership behaviour is both passive and ineffective. Laissez faire leadership occurs when a leader abdicates responsibility to others and does not want to take responsibility for mistakes that are made as a result of decision-making. The leader tries to remain as uninvolved as possible with

his followers, and avoids confrontation and conflict by remaining neutral in most situations of conflict. This type of behaviour occurs when the leader fulfils the minimum requirements of the job in an attempt to remain a member of the organisation (Senior, 1997). Although identified by many authors as a type of transactional leadership behaviour, Bass and Avolio (1997) have identified this behaviour as nontransactional leadership as a result of the lack of leadership displayed by the person in charge.

4.6.2 Transformational Leadership

Transformational leaders achieve a level of performance that surpasses expectations by instilling self-pride, and communicating with followers in an attempt to promote a feeling of personal respect amongst the followers themselves, as well as between the follower and the leader, facilitating creative thinking, and providing inspiration (Tepper and Percy, 1994). Transformational leadership enhances the exchange process that occurs in the practice of transactional leadership.

According to Bass and Avolio (1994: 3), “*transformational leaders do more with colleagues and followers than set up simple exchanges or agreements. They behave in ways to achieve superior results*”.

Transformational leaders inspire their followers to take on the organisational vision as their own, while attempting to heighten the values, concerns and developmental needs of their followers (Cacioppe, 1997). The followers of transformational leaders feel more trust, admiration, and respect for the leader and are willing to go beyond the level of performance they originally expected to achieve (Yukl, 1998).

Often, the words “transformational” and “charismatic” are used interchangeably, as if they mean the same thing (McShane and Von Glinow, 2000). However,

charisma is a form of interpersonal action and therefore, as mentioned previously, falls under the trait approach of leadership. On the other hand, transformational leadership is predominantly about the behaviours leaders exhibit when attempting to improve the values and developmental needs of followers while achieving the organisation's goals. Transformational leadership is more comprehensive than charismatic leadership, as it includes the effective attributes of most other leadership styles. For example, the relevant aspects of both visionary and charismatic leadership form part of transformational leadership. This is evident through the following definition:

According to Limerick and Cunnington (1993), transformational leadership is seen as strong leadership, which is based on charismatic qualities. Transformational leaders are visionaries, who inspire their followers to accept a new vision, a new dream, and a new identity (Limerick and Cunnington, 1993).

Transformational leadership has been assessed and defined by different authors. According to McShane and Von Glinow (2000), transformational leadership concerns the behaviours that people use to lead the change process. Tichy and Devanna (1990) state that transformational leadership behaviour centres around three themes. The first theme is the *need for recognising revitalisation*, and includes those challenges experienced by the leader when attempting to alert employees to increasing threats from the environment. The second theme is identified as *creating a new vision*, and focuses its attention on the leader's battle to focus the organisation's attention on a new vision for the future that is both positive and stimulating. The third theme is the challenge of *institutionalising change* within the organisation so as to ensure the transformation will last (Tichy and Devanna, 1990).

Bass and Avolio (1997) provide an appropriate and inclusive definition and breakdown of transformational leadership, and define transformational leadership in terms of four behaviours. Known as the '4 I's', these four types of

leadership are the most active and effective forms of leadership behaviour, especially when all are practised by the same leader. This is also illustrated in Figure 4.1. The Full Range Leadership Development Theory identifies the following four components of transformational leadership: individualised consideration, intellectual stimulation, inspirational motivation, and idealised influence, each of which will now be described.

- **INDIVIDUALISED CONSIDERATION:** Here, leaders concentrate on the individual needs and capabilities of their followers and attend to each requirement separately (Bass and Avolio, 1990). This leadership behaviour is used by leaders who treat subordinates differently yet equally, and on a one-to-one basis (Bass and Avolio, 1997). Attention is focused on giving followers personal attention, treating each employee uniquely, and coaching and advising followers (Senior, 1997). A leader who understands each subordinate in their own right, will be better equipped to assign different responsibilities to different subordinates in an attempt to promote learning and growth in their respective fields of interest.

- **INTELLECTUAL STIMULATION:** Old problems are looked at from new perspectives, and mistakes are not criticised. Intellectual stimulation encourages followers to think rationally and intellectually, and careful problem solving is practised (Senior, 1997). These leaders encourage followers to solve problems using their own initiative and fresh perspectives (Bass and Avolio, 1990). This aspect of leadership enables each employee to become deeply involved in a particular area of skills that interests and excites them. Each area of expertise will also come with its own responsibilities and challenges, thereby providing a mentally stimulating environment for the employee.

- **INSPIRATIONAL MOTIVATION:** Transformational leaders indulge in behaviour that motivates and inspires their followers by providing

challenging tasks and opportunities, and delegating power. In this component of transactional leadership, the leader articulates a clear, concise, and compelling vision for the future (Bass and Avolio, 1997). This aspect of leadership behaviour might overlap with idealised influence, depending on the extent to which subordinates wish to identify with the leader (Bass and Avolio, 1997). This improves employee development and performance as a result of followers releasing the energy required to accomplish higher levels of performance (Bass and Avolio, 1990).

- **IDEALISED INFLUENCE:** This leadership behaviour results in transformational leaders becoming role models for their followers (Bass and Avolio, 1994). This leadership behaviour occurs when followers identify with the leader to such an extent that they emulate and trust the leader (Bass and Avolio, 1997). This behaviour is also known as ‘charisma’ and provides a vision and sense of mission, instils pride in, and gains respect from followers (Senior, 1997). As mentioned earlier, charismatic leadership can be seen as a facet of transformational leadership. It is evident therefore, that charismatic leadership can be likened to the component of transformational leadership, identified as *idealised influence*. This level of follower admiration makes it easier for transformational leaders to inspire followers to take the lead, and use their own initiative in order to lead themselves.

4.6.3 Transactional and Transformational Leadership

Transformational leadership enhances transactional leadership in such a way as to achieve a higher level of performance from employees or subordinates. The primary differences between these leadership styles are the methods used by each leader to motivate subordinates, and the types of goals set out by each leader (Lowe and Galen Kroeck, 1996).

As previously discussed, managers are concerned with the policies and

procedures of an organisation, whereas leaders are concerned for the people and interpersonal relationships within the organisation (Bennis and Nanus, 1985). According to Hall (1998), it is the process of leadership – the induction and exercise of influence in order to connect people and performance in pursuit of an overall organisational goal – that leaders have in common. Therefore, it can be argued that transactional leadership represents the managerial aspect of the person in charge, and transformational leadership represents the leadership qualities of the person in charge (Bass, 1985).

Bass and Avolio (1994) argue that the most effective form of leadership is the combination of both transformational and transactional leadership styles. The managerial leadership model developed by Flanagan and Thompson (1993) provides an aid to assist management in selecting the appropriate leadership response – that is, the correct combination of transactional management and transformational leadership (Carrell et al, 1997). The managerial leadership model encompasses transactional management and transformational leadership, and includes a third major component: situational sensitivity (Carrell et al, 1997). The style of leadership required in any organisation depends on what the company wants to accomplish (Hart and McMillan, 1996). As mentioned previously, most South African organisations need to focus their attentions on employees in an attempt to increase productivity. This makes transformational leadership the most suitable leadership style for South Africa today (Bass, 1994).

Transformational leadership will become more prevalent and popular as a result of the chains of bureaucracy becoming flatter, and democracy in the work place becoming a necessity (Elgood, 1993). South African organisations need to increase productivity levels through internal quality. A less bureaucratic and more democratic leadership style is essential for organisational survival (Johnson, 1995). Transformational leadership allows employees to be more involved in the decision-making process and can therefore be likened to the 9,9

leadership style. Blake and Mouton (1964) describe the 9,9 leadership style as one that nurtures organisational relationships and achieves results for the organisation through committed people, and interdependence through a 'common stake' in the organisation's purpose. Therefore, a more transformational leadership style is essential for the survival of South African organisations today, due to the fact that it is a democratic leadership style. Although this may be so, policies, procedures, and production are still important aspects in the twenty-first century and, although less people-centred, are important in ensuring that decision-making stays on track. Therefore, management is still important for the direction and regulation of employees (Bennis and Nanus, 1985), and the best style of leadership is the correct combination of transactional and transformational leadership behaviours.

4.6.4 Limitations of the Full Range Leadership Development Theory

In spite of empirical support for the Full Range Leadership Development Theory (Ackermann et al, 2000; Bass and Avolio, 1994; Kelloway et al, 2000; Ristow et al, 1999; Singer, 1985; Singer and Singer, 1989; Yammarino and Bass, 1990;), this theory does have some limitations.

Tepper and Bennett (1998) conducted two studies into the latent structure of items taken from the Multifactor Leadership Questionnaire, and make the following statement:

“...it is difficult to base behaviour constructs on questionnaire research when our knowledge of transformational behaviour is still so primitive that we cannot identify good examples to use as items in a questionnaire.”

(Tepper and Bennett, 1998: 1)

Tepper and Bennett (1998), go on to state that these deficiencies and other

limitations of behaviour questionnaires, make it doubtful that research through questionnaires will provide much insight into the nature and identification of transformational leadership in the future. Although the knowledge of transformational behaviour might be limited, it is still necessary for organisations to assess, as far as possible, the leadership style being practised, in an attempt to ensure that it suits the requirements of the organisation. As presented in chapter six of this research, the Full Range Leadership Development Theory has been tested extensively and, according to these studies, does provide adequate and reliable results for leadership research.

Another limitation of The Full Range Leadership Development Theory is the fact that it focuses its attentions on the trait and behavioural approaches of leadership (Bass and Avolio, 1994), and pays little attention to the situational aspects influencing the leadership style being practised. As has previously been mentioned, according to Flanagan and Thompson's model of managerial leadership, the most effective managerial leadership style must diagnose the organisational situation in order to understand which leadership response is appropriate (Carrell et al, 1997).

With these limitations taken into account, it can still be argued that, although not without its faults, the Full Range Leadership Development Theory does provide a theoretical framework, as well as an instrument for leadership, that is valid and reliable (Bass and Avolio, 1994). The reliability and validity of the instrument (the Multifactor Leadership Questionnaire) will be discussed in chapter six.

4.7 SUMMATION

In an organisational context, leaders can put into effect plans and changes that are instrumental in achieving the organisation's overall vision. The role of leadership is imperative in building an overall organisational vision that can be the aim of both the leader and his followers (Quarendon, 1997).

Management and leadership work hand in hand towards the success of the organisation, each focusing on different aspects of the organisation (Adair, 1988). Leadership focuses on the human side of the organisation and nurtures interpersonal relationships in an attempt to improve employee morale and performance (Mintzberg, 1973).

The study of leadership over the years has led to the development of trait theories, behavioural approaches, and situational approaches to leadership in organisations (Senior, 1997; Vecchio, 1997). Each of these approaches is said to have an impact on the type of leadership style being practised within a particular organisation. The matching of leadership behaviour with different circumstances surrounding the organisation, results in the development of a particular leadership style (Hersey, 1984).

The roles of leadership have changed over time, and the shift in employee needs has resulted in a need for change in the relationship that exists between the leader and his subordinates (Kotter, 1996). Productivity levels in South Africa are low, and this calls for a leadership style that is capable of increasing productivity through employee motivation and commitment (World Competitiveness Yearbook, April 2000). South African organisations attempting to compete in today's rapidly changing market place, will have to focus their attentions on the issue of achieving productivity through the employees of the organisation (Carrell et al, 1997). A new type of leadership style is called for, one that empowers employees and increases employee productivity in an attempt to improve organisational change and survival (Kotter, 1996). Therefore, for the purpose of today's organisation, transformational leadership ensures effective and long-term survival. Not only does transformational leadership have the necessary attributes for the success of current organisations, it also practices those aspects of leadership that have been identified by previous leadership studies, and are still applicable today (Limerick

and Cunnington, 1993).

The Full Range Leadership Development Theory provides a theoretical framework for the Multifactor Leadership Questionnaire, which for the purpose of this research, is used to test the extent to which the leadership style of the motor vehicle dealerships are transformational or transactional.

CHAPTER FIVE

INTERNAL QUALITY

5.1 OVERVIEW

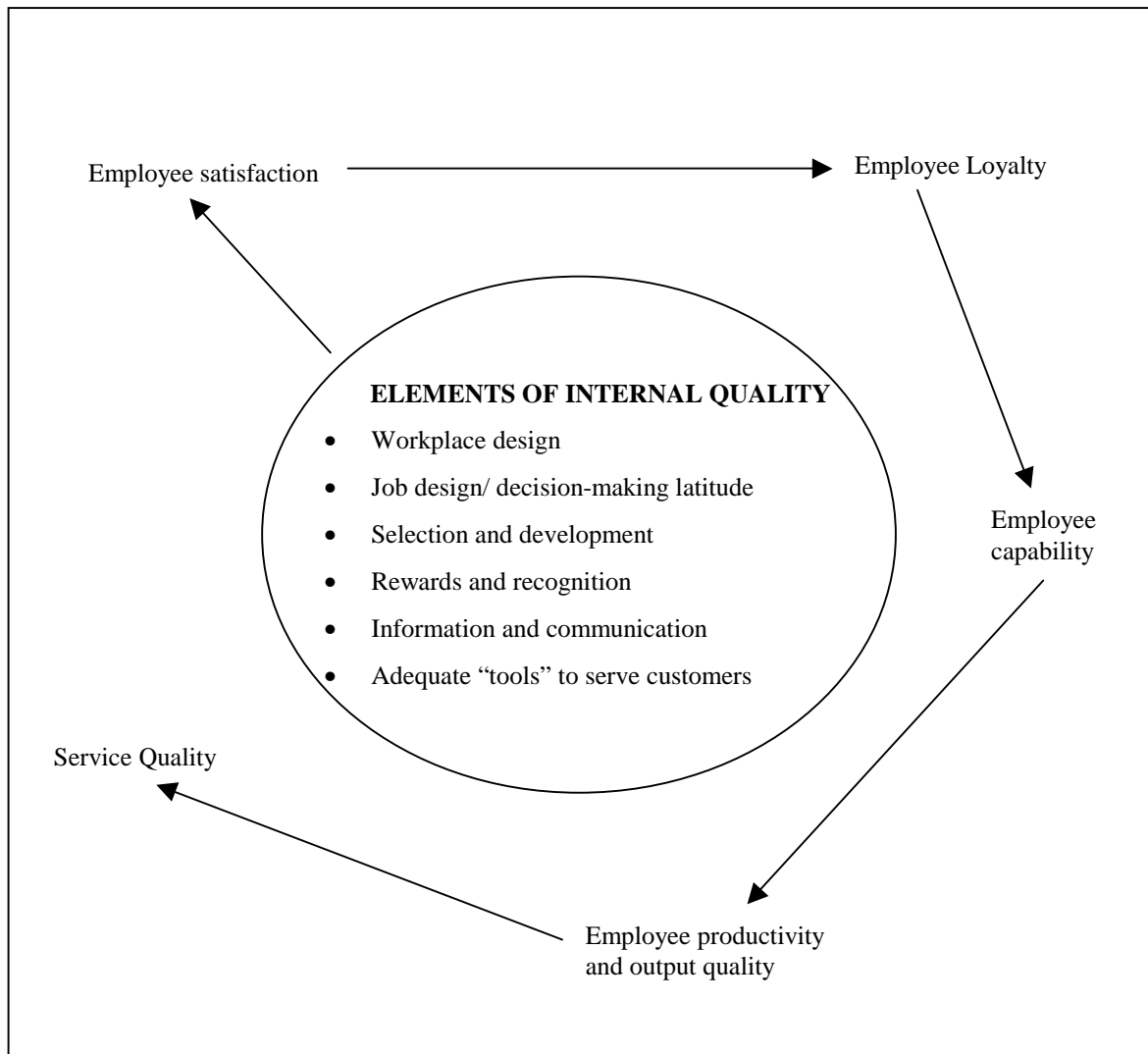
This chapter discusses internal quality and its effects on employee satisfaction and productivity, and as a result, its influence on customer satisfaction levels. The Competence Process (Hall, 1996) will also be presented as a measurement of internal quality for the purpose of this research. Each of the dimensions of the Competence Process, and their support conditions, will be discussed in detail.

5.2 UNDERSTANDING INTERNAL QUALITY

In chapter two of this research, the Service Profit Chain (Heskett et al, 1994) is discussed, and an overview of the elements of the Service Profit Chain is provided. One of the important aspects of the Service Profit Chain that affects customer satisfaction is identified as “internal quality”. According to Heskett et al (1997), internal quality refers to the working environment surrounding an organisation’s employees, and contributes most to employee satisfaction (Heskett et al, 1997). In general, internal quality encompasses what front-line employees value most on the job – their ability and authority to achieve results for customers, otherwise known as *capability* (Heskett et al, 1997). The authors of the Service Profit Chain (Heskett et al, 1994) argue that internal quality consists of seven organisational elements and that together, these elements have a ‘domino’ effect on the various aspects of the service delivery system, and ultimately, the customer satisfaction level of an organisation. According to Heskett et al (1994), internal quality directly affects the level of satisfaction experienced by employees, and this level of satisfaction determines the level of employee loyalty, which in turn affects the capability, and productivity of

employees. This level of productivity and capability then affects the overall level of service quality delivered by the organisation and hence, affects the level of customer satisfaction. The elements of internal quality, and the ‘domino’ effect that internal quality has on the employee productivity of an organisation, are diagrammatically represented in Figure 5.1, where a direct influence is indicated by an arrow.

Figure 5.1 Elements of Internal Quality and Factors Influenced by Internal Quality



Adapted from (Heskett et al, 1997)

Although the authors of the Service Profit Chain (Heskett et al, 1994) define internal quality, and list the elements and effects of internal quality, no theoretical framework or measurement of internal quality has been developed. However, from the limited amount of information on internal quality made available by the Service Profit Chain, it is evident that internal quality refers to the conditions that exist within an organisation's working environment and affect the disposition, and level of productivity of an organisation's employees (Heskett et al, 1997). Therefore, it can be argued that internal quality is the organisational context that surrounds employees, influences employee satisfaction, and determines employee productivity.

5.3 MEASURING INTERNAL QUALITY

As previously established in chapter four of this paper, South African business leaders need to focus on the 'people' side of organisations - in an attempt to improve employee productivity levels. As a result, the level of internal quality surrounding an organisation's employees should be a top priority for those leaders attempting to improve employee productivity, and must be measured in order to be monitored and improved.

According to Lefton, Buzzotta and Sherberg (1980), in order to release employee potential, it is necessary to create an environment in which employees do what they're capable of doing because they have a compelling reason to do so. In agreement with these authors, Heskett et al (1994) state that the internal quality surrounding employees influences the satisfaction and loyalty of employees and as a result, determines the level of employee productivity and performance. Hall (1996) states that it is the organisational context that either restricts or releases the capability and productivity of employees. Hall (1996) has developed a model through empirical research that identifies the various aspects of the organisational context surrounding employees. This model is known as the Competence Process (Hall, 1996), and was initially developed in

the early 1980's. The Competence Process is rooted in the belief that all employees have the capacity to be productive and that it is the leadership style, and subsequent management of working conditions, which releases that capability (Hall, 1996). According to Hall (1996), high levels of employee productivity rest on the premise that people will behave competently - given the correct organisational context. The Competence Process (Hall, 1996) argues that productivity is a function of the combined effects of (1) individual competence *plus* (2) the context provided by management for the expression of competence. In Hall's equation, individual competence is taken as a fixed commodity (Hall, 1996). However, the managerial-created context can vary widely and, as the context varies, so will the level of employee productivity (Hall, 1996). Therefore, according to the Competence Process, employee productivity is a function of the organisational context.

Research has been conducted into the relationship between organisational performance and organisational context within a large South African retail organisation (Schlechter et al, 2000). A sample of 988 employees from all levels of management was assessed using the Organisation Competence Analysis. Using the Competence Process as a measure of the organisational context, these authors (Schlechter et al, 2000) have established that the creation of an organisational context that releases employee competence, not only has intrinsic rewards for the employees of an organisation, but also has extrinsic financial rewards for the organisation. The evidence of this study proves the basic premise of the Service Profit Chain, which states that the conditions surrounding an organisation's employees ultimately lead to profitability and growth for the organisation. These conditions surrounding employees are collectively defined by the Service Profit Chain as the 'internal quality' of an organisation (Heskett et al, 1997). Therefore, from the results obtained from empirical research, and the fact that the Service Profit Chain (Heskett et al, 1994) does not provide a theoretical construct for measuring internal quality (as mentioned in chapter three of this research), it can be argued that, for the

purpose of this research, the Competence Process is a suitable measure for internal quality. The dimensions of competence and their support conditions, as defined by the Competence Process (Hall, 1996), will now be discussed.

5.4 THE COMPETENCE PROCESS

Hall (1996) developed the Competence Process, and over a six-month period, the practices and values of various organisations were assessed by means of a survey. Aspects such as the work ethic promoted by management and the level of employee involvement in decision making were assessed, and after this six-month period, the appropriate tools for measurement were collected.

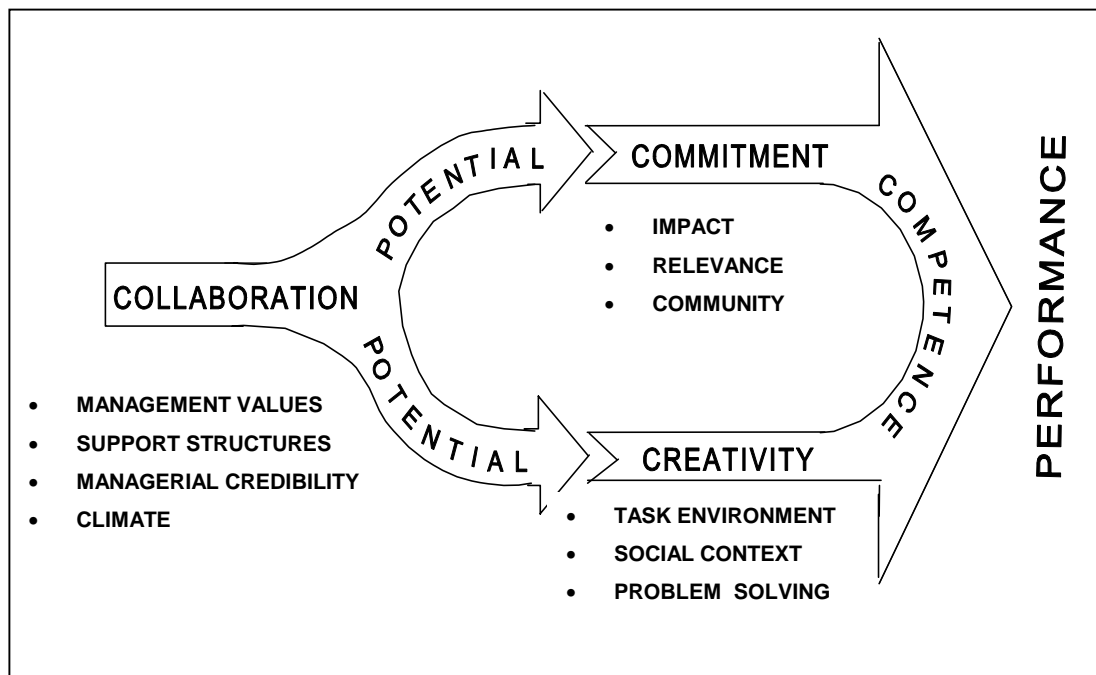
This theory argues that, when properly managed, collaboration brings forth employee commitment and creativity, and that all three of these dimensions work together to bring about employee competence and performance (Hall, 1996). The diagram on the following page is a diagrammatic representation of the Competence Process. The three dimensions for competence are presented, as well as their support conditions, and the effects of each dimension on the overall performance of the organisation.

One of the assumptions that form the basis of the Competence Process is that high performing and productive business units are characterised by significantly greater competence dimensions (Hall, 1996). Each of these dimensions represents an aspect of organisational life, which is influenced and manifested by organisational policies, practices and procedures (Hall, 1996). Collaboration provides the support, commitment provides the energy, and creativity provides the capacity, for employee productivity and performance (Hall, 1996). Each of the dimensions identified by Hall (1996) has various support conditions. Each of these support conditions serve to promote and sustain the widespread sense of collaboration, commitment, and creativity, and it is through these conditions that collaboration, commitment, and creativity come alive (Hall, 1996). Without its

support conditions, a dimension is weakened and may not be able to operate productively as a force for collective competence. However, the dimensions of the Competence Process do not consist of the sum of their support conditions but are distinct concepts. The development of the Competence Process, and the studies conducted in an attempt to establish the conditions for competence, is discussed in more detail in chapter six.

As is evident in the following diagram, the Competence Process consists of three dimensions, namely collaboration, commitment, and creativity (Hall, 1996). Collaboration has four support conditions, and commitment and creativity each have three support conditions. Each of the dimensions of the Competence Process, as well as their respective support conditions, will now be presented and discussed.

Figure 5.2 The Competence Process



Adapted from (Hall, 1996)

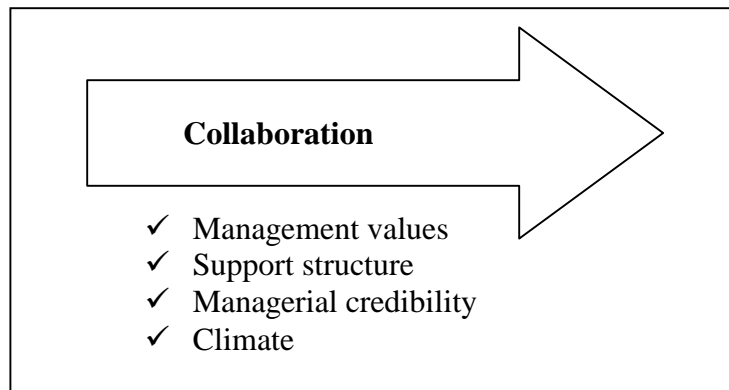
5.4.1 Collaboration

In the Competence Process, collaboration is said to be the wellspring from which the other two factors, commitment and creativity, flow (Hall, 1996). The entire process involved in nurturing employee productivity and competence, is 'triggered off' by collaboration. If the problem solving and decision making is shared amongst the employees of an organisation, collaboration is said to exist (Hall, 1996). Collaboration is the invitation to share power and is contingent upon employees being invited by management to participate. It involves employees playing an active role in, and taking responsibility for, the planning, forecasting, and allocation of resources (Hall, 1996). According to Viljoen (1987), the quality of business decisions will be greatly improved by including employees in the decision-making process. Including employees in the overall vision and objectives of the organisation enables employees to feel part of the integral planning and procedures involved in achieving certain tasks. Collaboration encourages a high level of employee involvement. Power and decision making is shared amongst employees, all input is considered, and results are rewarded accordingly (Galbraith, Lawler, and Associates, 1993). Employees feel that they are part of the organisation if their input is taken seriously and if their opinions and values matter to top management. The strength of any organisation is dependant on the extent to which all of the members of the firm share the same values and principles, and incorporate these values into the overall mission and vision of the organisation (Kotter and Heskett, 1992). According to Byron (1982), conditions are conducive to effective worker socialisation when management takes the responsibility for the welfare of its employees very seriously, and sees involving employees in most aspects of organisational decision-making as part of this responsibility.

According to Hall (1996), there are four support conditions of collaboration, namely: management values, support structure, managerial credibility, and climate. These support conditions will now be presented and discussed. Figure

5.3, represents the support conditions for collaboration.

Figure 5.3 Support Conditions for Collaboration:



Adapted from (Hall, 1996)

5.4.1.1 Management Values

This support condition for collaboration can be defined as management's beliefs and attitudes towards people and their relationships with one another. According to Hall (1996), every organisation has its own common understanding of what values, beliefs, and attitudes underlie the working ethic of the organisation. This forms part of the working environment surrounding an organisation's employees, and is defined as the organisational 'paradigm' that is used to describe the core set of beliefs and assumptions agreed upon by the managers of an organisation (Senior, 1997). Without a standard of ethics that is commonly agreed upon by employees and supported by management, collaboration becomes difficult. Management values set the precedent for the organisation's working environment, and the value that the organisation places on its employees.

5.4.1.2 Support Structure

The second support condition for collaboration focuses on the way in which management structures relationships within the organisation (Hall, 1996). This condition can be defined as the physical, social and psychological means of collaboration, and the access that employees have to problems, authority, information, and one another (Hall, 1996). Due to the fact that employees generally have self-determination and a need to achieve, the need for a supportive organisational design, that enables an employee to be in control of his own success and achievements, is of paramount importance to employee satisfaction and performance (Steers and Porter, 1991). The organisation must be put together geographically, technically and otherwise, so that employees are encouraged by management to collaborate and have the means to do so (Hall, 1996).

5.4.1.3 Managerial Credibility

The credibility of management has a large impact on the amount of trust employees have in management (Hall, 1996). According to Robbins and Coulter (1999), an important consideration of leaders is building credibility and trust, in order to build a strong relationship with their followers. Without a high level of trust, employees will believe that managers do not have their best interests at heart, and communication with management will become stifled (Hall, 1996). Inhibited communication, and lack of trust, can severely affect the collaboration process. Employee loyalty is affected by managerial credibility. If employees do not trust management's motives, they will become suspicious, and the organisational context will weaken. Employees will begin to doubt whether it is worth putting a lot of effort into serving customers - when management is not willing to afford employees the same amount of effort and respect (Holden, 1997).

5.4.1.4 Climate

There are many relationships that exist within an organisation, and the nature of these relationships establishes the emotional tone surrounding the organisation. If any organisation is to perform adequately, management needs to monitor these relationships and deal with conflict in such a way as to minimise the negative aspects of this tone (Senior, 1997). The general emotional tone that surrounds an organisation's employees, and influences their relationships with one another, is known as the 'climate' of the organisation. A negative emotional tone cannot possibly assist in the process of communication and collaboration amongst employees (Amos, Ristow and Mather, 1998). Heskett et al (1997) defines internal quality as the way employees feel about their jobs, colleagues, and companies. Therefore, it is clear that the 'climate' of an organisation forms part of the internal quality surrounding the employees of that organisation, because it deals with the relationship employees have with one another.

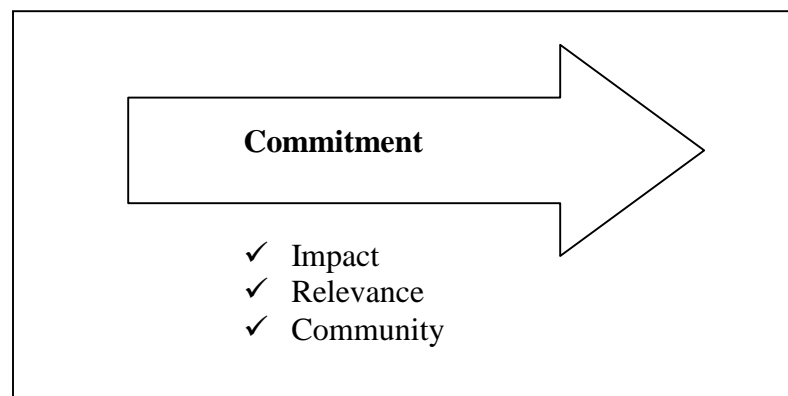
5.4.2 **Commitment**

As already mentioned, collaboration is the wellspring of both creativity and commitment. However, collaboration does not *guarantee* creativity and commitment. Where collaboration is focused on employee activities that are augmented by employee feelings, commitment is focused on employee feelings that are augmented by employee activities (Hall, 1996). In other words, collaboration is an *activity*, and its success is affected by the underlying feelings amongst employees and management, whereas commitment is a *feeling*, and its success is dependent on the activities of the organisation and its management. Commitment, within the Competence Process, refers to the extent to which employees are committed to their work, their performance and, as a result, the visions of the organisation (Hall, 1996). Commitment represents the extent to which the employee feels a psychological bond with the organisation and its values (Steers and Porter, 1991).

Employee commitment and performance can be greatly improved by a group member's positive attitude to the organisation's vision (Kirkpatrick and Locke, 1996). An environment that offers incentives deriving from one's performance, heightens employee commitment and subsequent performance (Maritz, 1995). According to Jewel (1985), commitment is more than the psychological state that makes an employee stay with an organisation; it is positively correlated to the organisation's turnover.

The three support conditions of commitment are identified by Hall (1996) as: impact, relevance, and community, and are discussed in the following paragraphs. Figure 5.4 represents these support conditions diagrammatically.

Figure 5.4 Support Conditions for Commitment



Adapted from (Hall, 1996)

5.4.2.1 *Impact*

Impact, within an organisation's working environment, can be described as the extent to which people feel they are in control of their organisational lives and have power over future events (Amos et al, 1998). Employees need to feel that their input is not only recognised by management, but is also able to make a

difference to the decisions made by management and ultimately, to the future of the organisation (Hall, 1996). It is impractical for leaders to encourage commitment if employees have little to no control over procedures and work design in their area of the organisation (Hall, 1996). It is important for employees to feel that, once they have shared in the decision-making process and have decided on how best to get the job done, they have an impact on what happens after the decision has been made, and how the decision takes fruition (Hall, 1996).

5.4.2.2 Relevance

The extent to which talents are used on core tasks, that are important to the organisation's strategic intent, constitutes the relevance within the working environment (Hall, 1996). If impact focuses on the extent to which employees are in control of future events and decisions that affect their organisational lives, then relevance focuses on the extent to which this control and involvement utilises the skills and expertise that employees have at their disposal (Hall, 1996). Without adequate intellectual stimulation or utilisation of appropriate skills, employee commitment is likely to dwindle.

"A number of implicit sequential connections underlie the commitment process: people expect their talents to be appropriately used; they expect to spend their time on important tasks or, at the very least, on jobs that need to be done so that the organisation can attain its objectives."

(Hall, 1996: 110)

5.4.2.3 Community

A sense of oneness or spirit of belonging and identification with the organisational group, its objectives, and well being, brings about a sense of

community (Hall, 1996). Employee commitment is heightened when employees identify with the organisation.

“For relevance to become a shared experience, for the sense of personal challenge and contribution to become a collective feature of the organisation, there must be a norm of interdependence and mutual reliance.”

(Hall, 1996: 119)

Employee satisfaction occurs when employees feel that they are in control of their organisational lives, feel part of the organisation, and feel that their input is relevant to both themselves and the organisational community as a whole (Amos et al, 1998).

5.4.3 Creativity

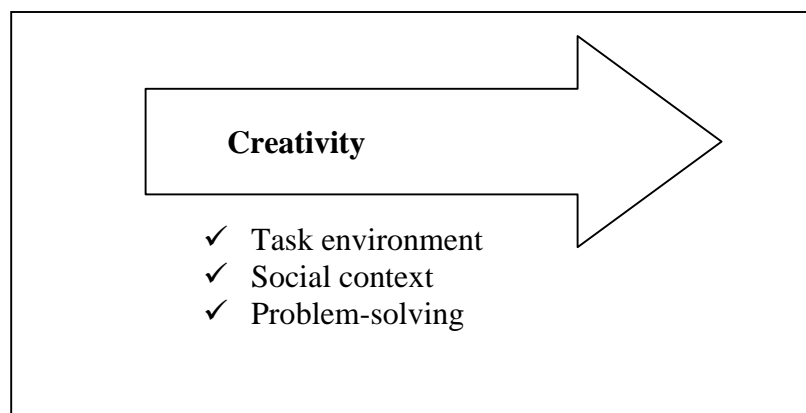
In the Competence Process, creativity does not refer to those quantum leaps in imagination that set creative geniuses aside from other people, it refers to novel insights, innovations, and new ways of looking at old problems (Hall, 1996). In this context, creative output is described as the *“natural consequence of a healthy productive outlook coupled with a sense of ownership and purpose”* (Hall, 1996: 128). The encouragement of creativity relates to whether employees are allowed to think and act creatively and freely without stifling or smothering their own ideas and perspectives (Huysamen, 1999).

Collaboration sews the seeds of competence, commitment nurtures these seeds, and creativity allows these seeds to bear fruit (Hall, 1996). In other words, collaboration brings employees together towards a common goal and allows decision-making to be shared. Commitment ensures that employees *want* to get involved and are given the means to do so, and creativity allows employees the freedom to think of old problems in new ways and indulge in creative problem

solving for the organisation and its vision.

Task environment, social context, and problem solving are the three support conditions of creativity, which will now be discussed. The following diagram, Figure 5.5, is a diagrammatic representation of these support conditions.

Figure 5.5 Support Conditions for Creativity



Adapted from (Hall, 1996)

5.4.3.1 Task environment

This support condition can either decrease or increase interference with human potential, and is a reflection of management's personal priorities and consequent style (Hall, 1996). Both management and personnel agree that work needs to be structured, priorities need to be set, and objectives must be clearly defined (Hall, 1996). The task environment can be defined as the manner in which work processes are structured, physically and psychologically, and the priorities and situational considerations according to which employees must do their jobs (Hall, 1996). It is therefore clear that the level of creativity within an organisation's working environment is influenced by the task environment, and the physical and psychological restraints that may exist as a result of the

structure of work processes.

5.4.3.2 Social context

This is commonly known as ‘social facilitation’ and is of paramount importance to the nurturing of a more creative working environment (Hall, 1996). However, managers who are more concerned with efficiency and increased production levels, often overlook the effects of the social context on the creativity of employees (Hall, 1996). The social context defines the way people relate to one another, and share their experiences and ideas within the workplace (Hall, 1996). The social context must provide a rewarding ambience that allows for the stimulation of social dynamics (Hall, 1996). In order to improve the social context, management can promote values and norms and exemplify practices that make the workplace a fun and interesting place to be (Hall, 1996).

5.4.3.3 Problem solving

Another core issue in competence is the manner in which people collectively approach problem solving tasks (Hall, 1996). In creative problem solving, the task environment can be expertly managed, and the social context may be stimulating and invigorating, but if the problem solving process is not geared towards creativity, novel insights and innovative thinking will not find their way into final fruition (Hall, 1996). The way in which problem solving is managed will determine whether creativity is closed off, or encouraged to flow (Hall, 1996).

An important aspect of problem solving is the level of involvement that people are allowed when dealing with issues (Huysamen, 1999). An organisation that adopts the value of ‘product innovation and creativity’ pursues a policy of decentralisation – pushing authority and decision-making as far down the organisation as possible - in order to encourage fresh ideas and insights (Viljoen,

1986). According to Hall (1996), with all of the support conditions for collaboration in place, all of the support conditions for commitment actualising potential, and a free-flowing task environment and productive social context, the lack of a proper problem solving process could ruin it all, right at the end.

The aforementioned support conditions and dimensions of The Competence Process are, for the purpose of this research, used to measure the level of internal quality within an organisation. This level of internal quality influences various factors in the organisation's service delivery system (Heskett et al, 1997). The importance of internal quality in the process of ensuring customer satisfaction is presented in chapter two and three of this research paper.

5.5 SUMMATION

According to Heskett et al (1994), internal quality influences the employee satisfaction, loyalty and productivity levels of an organisation, but these authors provide no theoretical framework for internal quality. The Service Profit Chain describes internal quality as the working conditions that surround an organisation's employees (Heskett et al, 1997). It can therefore be argued that internal quality represents the organisational context that influences the level of employee productivity. The Competence Process, developed by Hall (1996), argues that employee productivity is a function of the competence of employees and the organisational context. Hall (1996) also argues that employee competence is a constant, unchanging value - due to the fact that all employees have the potential to be competent - and that it is the organisational context surrounding employees that either restricts or releases this inherent competence. In short, the Competence Process measures organisational context in terms of its conditions for competence, and internal quality refers to the organisational context surrounding employees that influences employee productivity. Therefore, it can be argued that the Competence Process can, for the purpose of this research, be used to measure internal quality levels within an organisation.

The Competence Process was developed in the early eighties and consists of three dimensions. Hall (1996) identifies these dimensions as collaboration, commitment, and creativity. Empirical research indicates that the Competence Process is based on the premise that high performing organisations are characterised by significantly greater competence dimensions (Hall, 1996), and argues that the three dimensions of collaboration, commitment, and creativity, all work together to bring about employee competence and as a result, employee performance. Hall (1996) also states that collaboration is the trigger for competence, and that commitment and creativity are the energy and capacity behind organisational competence.

Each of the three dimensions of the Competence Process has support conditions. These support conditions need to be properly managed and monitored if employee productivity is to be released and realised (Hall, 1996). If properly managed, these conditions can lead to increased competence and, as a result, improved levels of productivity. According to the Service Profit Chain, increased levels of employee loyalty and commitment lead to an increase in employee productivity, and an increase in the level of value delivered to the organisation's customers (Heskett et al, 1994).

CHAPTER SIX

RESEARCH METHODOLOGY

6.1 OVERVIEW

The preceding chapters have reviewed the literature pertaining to customer satisfaction, and the factors that affect customer satisfaction. Leadership and the Full Range Leadership Development Theory were analysed and discussed. Internal quality and the factors affecting internal quality were also presented.

Leadership, internal quality, and customer satisfaction have been related to the specific research context of the South African motor vehicle industry. Stemming from the review of related literature, the broad objectives of this study have been formulated, and an explanation of their relevance presented. The main objectives of this study are concerned with the leadership, internal quality, and customer satisfaction levels of the dealerships of a motor manufacturer in South Africa. From the identification of the broad objectives of the research, the specific research hypotheses were formulated. There are two main hypotheses for this study, which are presented in the following paragraph. The first hypothesis is concerned with the relationship between the leadership style being practised within the organisation, and its effect on the level of internal quality experienced by these employees of the dealerships. The second hypothesis is concerned with the relationship between the level of internal quality and the level of customer satisfaction experienced by the customers of these dealerships. Therefore, the hypotheses of the research are defined as follows:

Hypothesis 1:

Ho: No significant relationship exists between the leadership style and

internal quality levels in the dealerships of an organisation in the South African motor vehicle industry.

Ha: A significant relationship exists between the leadership style and internal quality levels in the dealerships of an organisation in the South African motor vehicle industry.

Hypothesis 2:

Ho: No significant relationship exists between the internal quality levels and customer satisfaction levels in the dealerships of an organisation in the South African motor vehicle industry.

Ha: A significant relationship exists between the internal quality levels and customer satisfaction levels in the dealerships of an organisation in the South African motor vehicle industry.

This chapter describes the research process used in this study, to test the above hypotheses. The research design, population, and sampling used in the study will be presented. The three instruments used for data collection will then be described in detail. A description of the data analysis used in this study will also be provided.

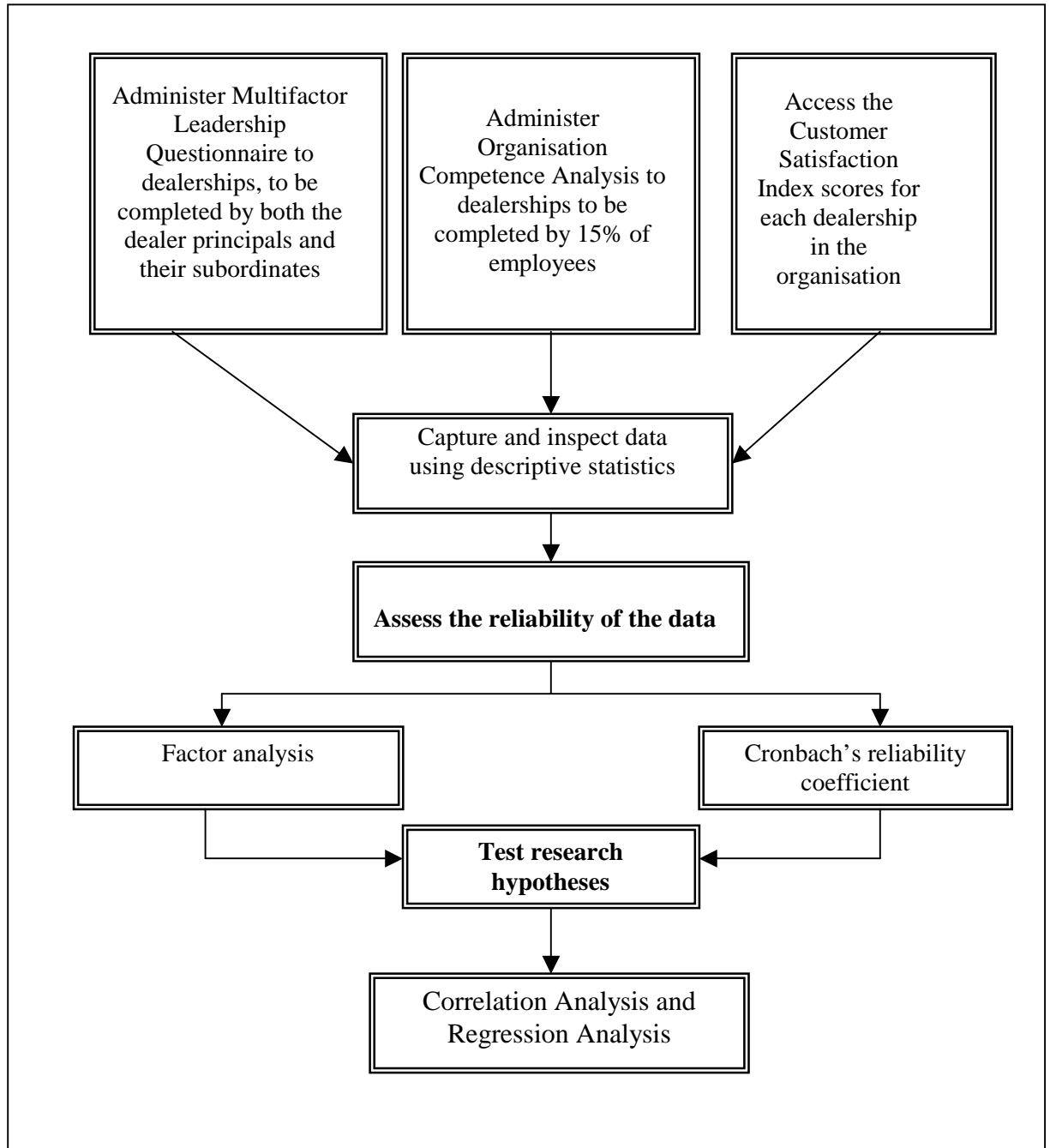
6.2 RESEARCH DESIGN

According to Adams and Schvaneveldt (1985: 103) “*research design refers to a plan, blueprint, or guide for data collection and interpretation – set of rules that enable the investigator to conceptualise and observe the problem under study.*”

As is evident from the hypotheses, this research is of a quantitative nature. As a starting point in describing the research design, Figure 6.1 on the following page, is a diagrammatic representation of the research design employed for the

purpose of this study, and will be referred to during the course of this section.

Figure 6.1 A Schematic Representation of the General Research Design



6.2.1 Ethical Considerations

The motor vehicle manufacturer assessed in this research, requested that the name of the organisation and subsequent dealerships be excluded from the study, and that a policy of anonymity be adhered to. Although the relevant dealership codes were needed for the data collection process, these codes were only used in the analysis of the data to ensure that all of the dealerships could be analysed separately in terms of leadership, internal quality, and customer satisfaction levels. The motor vehicle manufacturer was forthcoming with confidential information and assistance. Therefore, the policy of anonymity was necessary for the protection of confidential information obtained from the head office of the motor vehicle manufacturer, and reported on in this research.

6.3 RESEARCH POPULATION AND SAMPLE

A population encompasses the entire relevant unit of analysis or data (Frankfort-Nachmias and Nachmias, 1996). A *population* is considered to be any group of people who share a common set of traits and are therefore of interest to the researcher (Black, 1999). In this research, the population consists of 85 dealerships of a particular motor manufacturer in South Africa. A dealership consists of a dealer principal and subordinates. The functions of a dealership include vehicle sales and maintenance of motor vehicles. The head office transports new cars from the production plant to each dealership. Therefore, the dealerships deal with customers daily in both the service and sales aspects, and are the intermediate suppliers in between the head office and the end customer. These dealerships are geographically segmented according to major metropolitan dealerships (those situated in large cities), metropolitan dealerships (those situated in smaller cities), town dealerships (those situated in small towns), and rural dealerships (those situated in rural areas). The distribution of the total population among the various geographical areas is presented in Table 6.1.

Table 6.1 Population, Sample, and Respondents from the Geographical Segments of Dealerships in South Africa

Geographical Region	Population	Sample	Respondents	Response Rate
Major Metropolitan	28	27	14	52%
Metropolitan	25	24	12	50%
Town	35	34	12	35%
Rural	62	0	0	0%
Total	150	85	36	42

The sample was stratified according to the geographical area in which the dealership is situated. The head office of the motor vehicle organisation defines this geographical stratification. In Table 6.1, the sample column provides details on the stratification of the sample according to their respective geographical regions.

The sample includes dealerships in the major metropolitan, metropolitan, and town areas in South Africa alone. Of these geographical segments, all but three of the dealerships were included in the sample. These three dealerships were excluded due to the fact that they are situated in Southern Africa, but not in South Africa itself. Two of these dealerships are situated in Namibia, and one in Gabarone. The sample therefore includes 85 dealerships from the major metropolitan, metropolitan, and town areas of the South African motor vehicle organisation.

The amount of respondents needed, for the validity and reliability of the instruments, meant that the dealerships in the rural areas could not be included as a result of the size of the staff in these dealerships. The rural dealerships were also excluded as per the request of the motor vehicle manufacturer.

An average of four rater versions and one leader version per dealership was to be completed for the Multifactor Leadership Questionnaire. At least 15% of the overall staff at these dealerships were expected to complete the Organisation Competence Analysis questionnaire, constituting an average of 5 questionnaires per dealership. Therefore, had all of the dealerships completed and returned the expected amount of questionnaires, the sample size for factor analysis would have exceeded 400 for each questionnaire. The Customer Satisfaction Index scores for the all of the dealerships in South Africa were made available to the researcher, however, only the customer satisfaction scores for those dealerships included in the final statistical analysis, could be accessed and analysed.

Of the 85 dealerships in the sample, only 36 dealerships returned the questionnaires sent to them. Of these 36 dealerships, three of the dealerships did not complete and return enough Organisation Competence Analysis questionnaires to constitute 15% of the staff at these dealerships. One dealership only returned one leader version and one rater version of the Multifactor Leadership Questionnaire, and another dealership did not return the leader version of the Multifactor Leadership Questionnaire. Also, after capturing the data it became apparent that two of the dealerships did not respond to enough questions, thereby resulting in missing data. These dealerships could therefore not be included in the final statistical analysis. Therefore, according to the requirements for reliability and validity, stipulated by the questionnaires, to be discussed later in this chapter, these seven sets of data were incomplete and were not included in the final statistical analysis or factor analysis. As a result, only 29 of these dealerships returned complete sets of data and could be included in the final statistical analysis. Therefore, the response rate yielded 111 rater versions, and 29 leader versions of the Multifactor Leadership Questionnaire, the scores for which were combined in the final statistical analysis, in order to obtain an objective view of leadership. The responses also included 165 Organisation Competence Analysis questionnaires (more than the average for 29 dealerships). This response rate had negative implications for the

final statistical analysis, which will be discussed later in this chapter.

6.4 INSTRUMENTS USED

Three instruments were used in this research, namely the Multifactor Leadership Questionnaire (MLQ), the Organisation Competence Analysis (OCA), and the Customer Satisfaction Index. A consulting company known as Productivity Development (Pty) Ltd made the Multifactor Leadership Questionnaire and Organisation Competence Analysis questionnaires available to the researcher. The development and use of each instrument will now be discussed in detail.

6.4.1 The Multifactor Leadership Questionnaire

After an extensive literature review on leadership, presented in chapter four of this research, it was argued that, for the purpose of this research, the Full Range Leadership Development Theory is a suitable theoretical construct of leadership. The Multifactor Leadership Questionnaire was formulated from the Full Range Leadership Development Theory (Bass and Avolio, 1997). The development of the factors of the Full Range Leadership Development Theory has led to the development of the scales used in the Multifactor Leadership Questionnaire. Initially, a total of 142 items of leadership behaviour was initially generated from a review of the theoretical literature and on the basis of responses to an open-ended survey of 70 senior executives, all of whom had experience with a transformational leader (Bass and Avolio, 1997). A detailed definition of transformational and transactional leadership was then given to 11 students enrolled in a graduate seminar on leadership. These students were asked to read important information dealing with the distinction between transactional and transformational leadership, and each sorted the 142 items into three categories, namely: transformational leadership, transactional leadership, and “can’t say”. From the results of this study, 73 items were selected for inclusion in a questionnaire. After a sample of 176 senior military officers completed this

questionnaire, a factor analysis, using varimax rotation of these 73 items, was conducted. According to the sample size requirements for factor analysis, identified by De Vellis (1991), the sample used in this study is not large enough for a successful factor analysis.

Factor analysis conducted by Bass (1985), using varimax rotation of 73 items, yielded the seven leadership factors that constitute seven of the nine components now included in the Multifactor Leadership Questionnaire Form 5X (discussed in more detail in the following section). The Multifactor Leadership Questionnaire has been modified and tested since 1985, with the result that various forms or versions have been developed. The latest form, Form 5X (Revised) is the most recent and refined form of the Multifactor Leadership Questionnaire and was therefore used for the purpose of this study.

The Form 5X (Revised), contains 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 and Avolio, 1997). Each statement corresponds to one of the nine components of either transformational, transactional or nontransactional leadership factors.

Each respondent is required to assess and testify as to how frequently the behaviours dictated by each of the above-mentioned components, are exhibited by their leader (the dealer principal).

In order to gain a holistic view of each dealership's leadership style, two types of respondents are required for the completion of the Multifactor Leadership Questionnaire. As demonstrated in figure 6.1, both the dealer principals and at least three of his subordinates have to complete a specific version of this questionnaire that is tailored to the specific respondent (the leader or subordinate). These two versions are known as the 'rater version' and the

'leader version'. Colleagues or subordinates of the leader must complete the rater version, and the dealer principal must complete the leader version. Each version asks the candidates the same questions, but from different perspectives.

For example:

On the leader version, question one of the Multifactor Leadership Questionnaire reads:

1. I provide others with assistance in exchange for their efforts

On the rater version, question one of the Multifactor Leadership Questionnaire reads:

The person I am rating –

1. Provides me with assistance in exchange for my efforts

These questions establish the leader's style in terms of the transformational, transactional, and nontransactional leadership components as discussed in chapter four.

The appropriate candidates must complete both the rater versions and leader versions in an attempt to provide an objective rating of the leadership style within each dealership. In this study, one leader version was completed by the dealer principals in the sample, and between 3 and 6 rater versions of the Multifactor Leadership Questionnaire were completed by the subordinates, depending on the amount of employees at each dealership. For the final statistical analysis, the leader and rater versions for each of the dealerships in the sample were combined, in order to obtain a more holistic and objective view of the leadership style being practised within each dealership. The outcome factors included in the Full Range Leadership Development Theory, were excluded

form the final statistical analysis due to the fact that this research is concerned with identifying the style of leadership being practised within the dealership, and not the outcome factors resulting from the leadership style being practised.

6.4.1.1 *Reliability and Validity of the Multifactor Leadership Questionnaire*

Reliability and validity are two of the most important aspects to be considered when formulating or evaluating a particular instrument. Reliability is concerned with the consistency of the instrument. An instrument is said to have high reliability if it can be trusted to give an accurate and consistent measurement of an unchanging value (Bless and Higson-Smith, 1995).

Test-retest reliability for the Multifactor Leadership Questionnaire was conducted over a six-month period and was computed using the data collected from 33 middle to upper level managers employed by a Fortune 500 firm and 193 of their associates (Bass and Avolio, 1997). The results of this test-retest study are presented in Table 6.2, on the following page, and indicate that the components of transformational, transactional, and nontransactional leadership are reliably measured by the Multifactor Leadership Questionnaire.

The group managers used in this analysis received team development and individual training during this six-month interval and therefore, these reliabilities may underestimate the true test-retest reliability of the scales. It is likely that this training had a greater impact on self-ratings, since there was some attention paid to the identifying and changing of specific behaviours identified by the Multifactor Leadership Questionnaire between the first and second administrations (Bass and Avolio, 1997).

Table 6.2 Six-month Test-Retest Reliability Scores

	Reliability Coefficient	
	Rater Form	Self-rating Form
Idealised Influence (II)	0.79	0.60
Inspirational Motivation (IM)	0.66	0.45
Intellectual Stimulation (IS)	0.66	0.61
Individualised Consideration (IC)	0.77	0.70
Contingent Reward (CR)	0.53	0.44
Management by Exception (MBE)	0.61	0.74
Laissez-Faire (LF)	0.82	0.73

Source: Bass and Avolio, 1997

In order to establish the validity of the Multifactor Leadership Questionnaire, Form 5X, Bass and Avolio (1997) conducted two confirmatory factor analyses using cross-validation studies. Cross-validation studies occur when a large sample is divided into two subsamples. The first subsample is tested and the results are then cross-validated by the results obtained from exposing the second subsample to the same statistical analysis. The parameters of the first subsample are estimated and the other subsample is validated (Christian, 1991). This examination of construct validity of the Multifactor Leadership Questionnaire Form (5X) contained 14 samples (Bass and Avolio, 1997). Of these 14, nine samples containing Multifactor Leadership Questionnaire Form (5X) rater scores, received from researchers who had used the Multifactor Leadership Questionnaire in their own research programs for the validation sample, were used (Bass and Avolio, 1997). These nine samples, used in the validation study, consisted of two samples from undergraduate students, one from a military organisation, four from business organisations, one from a government research organisation, and one from university deans of nursing schools. All nine

samples were from English-speaking countries. The remaining five samples of data were kept separate and used for cross-validation purposes. The cross-validation samples were all United States organisations, two of which were business firms, and three were from public agencies, including a non-profit organisation, several fire departments, and a political organisation.

Scale scores for both the validation and cross-validation samples are based on the ratings of associates evaluating their leader. Reliability for each leadership factor and outcome scale ranged from 0.74 to 0.94 in the validation sample, and from 0.73 to 0.93 in the cross-validation sample. Most of the scales' ratings were acceptable and exceeded the cut-off point as recommended by the literature for internal consistency (Bass and Avolio, 1997).

The Multifactor Leadership Questionnaire has also been tested in the South African context. Ackermann et al (2000) used the questionnaire to determine whether the factor structure of the Multifactor Leadership Questionnaire, as a measure of transformational leadership, could be replicated within the South African context. The reliability of the three main leadership scales of transformational, transactional, and nontransactional leadership were determined by means of Cronbach's Alpha coefficient. Results yielded scores of 0.944, 0.736, and 0.803 respectively. The factor structure as developed by Bass (1985), was largely confirmed by the results of this study (Ackermann et al, 2000).

The question paper for the leader version of the Multifactor Leadership Questionnaire is presented in Appendix B, and the answer sheet is presented in Appendix C. The question paper and answer sheet for the rater version of the Multifactor Leadership Questionnaire are presented in Appendix D and E respectively.

6.4.2 The Organisation Competence Analysis

Information regarding the internal quality of each dealership was obtained through the administration of the Organisation Competence Analysis (Hall, 1996). This questionnaire is based on the Competence Process developed by Hall (1996), discussed in chapter five, and assesses the various elements and experiences that affect the every day experiences of employees in their organisational lives. It has been argued in this research, that the questions in this instrument analyse aspects that affect the level of internal quality of an organisation, such as the type of work done, the rules that apply, how employees feel, the decision-making policies within the organisation, and the incentive system used. The questionnaire has been designed in such a way as to be applicable to any organisation, and any employee, regardless of position or task (Hall, 1996).

It is required that at least 15% of an organisation's employees complete the Organisation Competence Analysis in an attempt to obtain a substantial amount of information on the context surrounding an organisation's employees (Hall, 1994).

The Organisation Competence Analysis is a normative instrument with an ordinal scale, and allows for a wide range of scenarios in order to describe the feelings and opinions of respondents as accurately as possible. This questionnaire consists of forty questions. Each question provides the respondent with three possible scenarios to describe that particular element of the organisational context. A twelve-item scale is allocated to each question, in order to establish the magnitude and mix of each scenario in the description of the organisational context. This twelve-item scale provides the respondent with enough options to describe the context of the organisation as accurately as possible. Each of the twelve possible responses are then allocated a separate

score and captured. Candidates are required to answer each question twice, from two different perspectives: “as it is” (in order to establish the actual level of internal quality) and “as I would like it to be” (in order to establish the desired level of internal quality). The second page of Appendix F contains an explanation of how to answer each of the questions in the Organisation Competence Analysis questionnaire.

It is important to note that those questions answered from the perspective of “as I would like it to be”, were not included in the final analysis. These responses were omitted due to the fact that they do not provide information on the actual level of internal quality (obtained from the “as it is” perspective) experienced by employees, but only serve to provide information on the desired level of internal quality (the “as I would like it to be” perspective). Therefore, only the actual level of internal quality is used in the final data analysis.

6.4.2.1 Reliability and Validity of the Organisation Competence Analysis

The Organisation Competence Analysis measures the extent to which an organisation uses collaboration, commitment, and creativity to encourage high levels of performance. Therefore, the data collected by researchers requires a technique of analysis in which the combined and simultaneous effects of all three dimensions could be assessed, and related to organisational performance (Hall, 1996). The development of the Competence Process as a theoretical construct and an instrument began with the identification of some basic predictions. The most important prediction states that high performing, productive employees will be characterised by significantly greater competence dimensions (Hall, 1996). In order to validate this theory, Hall (1996) enlisted the aid of nine different organisations, ranging from supermarkets and fast food chains, to research and development teams, a government agency, and a school system. These samples were then tested extensively, and the basic underlying theory of the Competence Process was verified. It was found that the

differences between high and low performing business units of the dimensions of competence, as defined by the Competence Process, were so large that they could occur by chance only once in 10 000 times (Hall, 1996). This indicates that the combined and simultaneous effects of collaboration, commitment, and creativity constitute a significant point of departure between productive and unproductive organisations (Hall, 1996).

Cronbach's Alpha test of reliability was employed in developing the Organisation Competence Analysis (Hall, 1996). The study assessed a sample of 159 candidates. Results from this research yielded a Cronbach Alpha of 0.928, for overall reliability. This result was cross-validated with a second sample, using the same questionnaire and statistical analysis as that used for the first subsample of 159 candidates. The cross-validation study assessed a sample of 120 subjects. Results from this study yielded a Cronbach Alpha of 0.924, for overall reliability (Hall, 1996).

The Organisation Competence Analysis questionnaire was also tested in the South African context, by Schlechter et al (2000). This study used the Organisation Competence Analysis to establish the relationship between organisational culture and organisational performance within a large South African retail organisation, and the results obtained from this research proved that this instrument can be used within the South African context.

6.4.3 The Customer Satisfaction Index

The Customer Satisfaction Index was introduced in 1995, and was designed to focus on the level of performance of dealerships in satisfying customers (De Villiers, 2000). The instrument has been adjusted over time in order to stay abreast of changing customer needs and shifting demands, and also to keep up with dealer performance (De Villiers, 2000). The Customer Satisfaction Index provides dealers with a measurement of their efforts to satisfy customers, and a

clear direction as to what must be done in order to improve customer satisfaction levels (De Villiers, 2000).

Initially, a marketing company known as the Market Intelligence Resource Group (MIRG) developed the Customer Satisfaction Index (De Vantier, 1999). Chapter three of this research provides a theoretical overview of customer satisfaction. In chapter two, it is established that customers have high expectations with regards to the purchasing a new motor vehicle (Kotler and Armstrong, 1999). In order to establish what aspects of services and sales the customers of the motor vehicle manufacturer consider important, the marketing company compiled a gap analysis questionnaire. This questionnaire was circulated amongst customers at each dealership in an attempt to establish the magnitude of the gap between customer expectations and customer perceptions, of both sales and services at each dealership. A large number of aspects were assessed in terms of what customers expected, and what customers actually received from the dealership they frequented. Other customers were contacted via the telephone and asked to identify what they *expected* in terms of both sales and services, and what they *experienced* in terms of the sales quality and service quality at their respective dealership (De Villiers, 2000). This data was then analysed and a list of those aspects identified as important by the majority of customers was compiled. In the services sector of customer satisfaction, a list of 18 important aspects was compiled, and in the sales sector of customer satisfaction, a list of 15 aspects was compiled. These aspects of services and sales are included in an assessment form that, each month, is given to the customers from each dealership to complete. This form allows customers to testify to the extent to which they are satisfied with each of the aspects of both sales and services. Customers are also required to testify as to their intention to return to the same dealership, the same motor vehicle brand, or a different motor vehicle brand.

The Customer Satisfaction Index measures the customer's perception of service

quality in terms of both sales and service (De Villiers, 2000). Different aspects are assessed for sales and services, and customers answered certain questions pertaining to each aspect. As discussed in chapter three of this research, in order to measure the level of customer satisfaction as a result of service quality, the customer's perception of service quality must be assessed and questioned. However, in order to adequately assess the level of customer satisfaction with product quality – especially when dealing with a high involvement purchase – the extent to which the customer's perception of product quality meets the customer's expectation of product quality, needs to be measured. The Customer Satisfaction Index measures customer satisfaction with both service quality and product quality by assessing the correct aspects of each. Not only are there separate sections of the customer questionnaire to assess sales and service, each section then assesses the level of customer satisfaction with service quality and product quality for both vehicle sales and motor vehicle maintenance. Both sales and service figures of customer satisfaction were used in this study in order to establish the extent to which customers are satisfied with both motor vehicle maintenance (services) and vehicle sales (sales).

The Customer Satisfaction Index focuses on the customer's perception of service quality and not the expectations of service quality. The Customer Satisfaction Index provides an average of Moments Of Truth scores and Customer Satisfaction scores for a period of three months to each dealership, as well as a list of where each dealership can improve their scores (De Villiers, 2000). The Customer Satisfaction Index allows dealerships to identify what they are doing wrong, and what they are doing right, in terms of both services and sales. As a measure of customer satisfaction, the Customer Satisfaction Index measures both the customer's expectations and perceptions of the sales and service delivered by a specific dealership. The Customer Satisfaction Index measures levels of customer satisfaction for each dealership at regular intervals. For several months, the Centre for Proactive Marketing have suggested the implementation of the following actions in order to immediately improve

customer satisfaction scores (De Villiers, 2000):

1. Develop short-term action plans and incentives, focusing on the contacting of customers, having vehicles fixed right the first time, and delivering vehicles free from defects
2. Analysing the root causes of Delivered Free from Defects (Vehicle Quality) problems and implementing internal actions to address these problems.

6.4.3.1 *Reliability and Validity of the Customer Satisfaction Index*

The Customer Satisfaction Index has been assessing the level of customer satisfaction for each motor vehicle dealership of the relevant motor vehicle manufacturer, over a three month running average, for six years (De Villiers, 2000). Over these six years, this measurement procedure has been used to assess the customer satisfaction of each dealership on many occasions, and very similar results have been produced. Problems in the manufacturing plant have an effect on the servicing and sales ability of the dealerships. These changes have impacted upon the level of customer satisfaction at various dealerships and subsequently, the results of this instrument. It is therefore evident that, through the test-retest method, this instrument has proven to be reliable.

The Customer Satisfaction Index has been developed by involving the current customers of the motor vehicle manufacturer, and by assessing what factors should be included in the questionnaire, based on what the participants identify as important. Therefore, the face validity of the instrument is high. This instrument attempts to measure the extent to which each dealership delivers an acceptable level of customer satisfaction in those areas that are considered important to customers in this particular industry. A numerous amount of customers were assessed in an attempt to establish what it is that customers consider important when purchasing or maintaining a motor vehicle. However,

every customer is different and although some customers may rate a dealership highly according to specific aspects, these aspects may not ultimately affect or improve the level of customer satisfaction experienced by other customers. The Customer Satisfaction Index does attempt to overcome this limitation by adapting the instrument over time, in order to accommodate any shifts in customer needs (De Villiers, 2000). However, even these adaptations are only based on those aspects of product and service quality that are considered important by a portion of the motor vehicle manufacturer's current customers.

This instrument was formulated by a marketing organisation which spent much time ensuring that customer satisfaction is correctly measured, in terms of what customers expect from a motor vehicle dealership. However, for reasons of confidentiality, this marketing organisation could not release any results obtained from the statistical analysis and development of this instrument. Therefore, the reliability of the instrument can not be presented or assessed.

The Customer Satisfaction Index is capable of providing the necessary information, required by the motor vehicle manufacturer and its dealerships, to establish customer satisfaction levels with certain aspects regarding both vehicle sales and motor vehicle maintenance, as well as the level of customer retention and deflection for each dealership. The Customer Satisfaction Index measures some of the components of customer satisfaction in the motor vehicle industry, and thereby supplies valuable information with regards to the performance of dealerships, and areas for improvement, with regards to these components. This instrument has been used with the participation of the relevant motor vehicle organisation for the past six years, and has been used as the basis for making important business decisions.

6.4.4 PILOT STUDY

A pilot study involves the pre-testing of instruments in an attempt to identify

unforeseen problems of administration, coding, and analysis (Guy, Edgley, Arafat, and Allen, 1987).

In this research, a pilot study was conducted in order to identify any possible problems, questions, or issues of ambiguity before posting the questionnaires off to the relevant dealerships. This pilot study was conducted within a Close Corporation where six members of the organisation completed the relevant questionnaires. One leader version of the Multifactor Leadership Questionnaire, five rater versions of the Multifactor Leadership Questionnaire, and six Organisation Competence Analysis questionnaires were completed without any assistance from the researcher. Only one question was raised in the completion of the pilot study. Candidates in the pilot study were uncertain as to where the responses for each of the scenarios, in the Organisation Competence Analysis, were to be recorded. This issue was addressed in the covering letter sent to the dealerships (with the questionnaires), and dealer principals were made aware of the fact that there was a separate answer sheet, for the Organisation Competence Analysis, where responses should be recorded. This covering letter can be seen in Appendix H.

6.5 PROCESS OF DATA COLLECTION

According to Bless and Higson-Smith (1995), there are three common methods of data collection, namely: observation, interviews, and questionnaires. For the purpose of this research, the “mail questionnaire” was used in order to gather the necessary information. This is a non-personal technique of data collection due to the fact that the respondents complete the questionnaires without the interviewer being present. Such questionnaires are known as *self-administered questionnaires* (Bless and Higson-Smith, 1995). This technique of data collection was used in order to overcome issues of cost, time, and geographical constraints.

After presenting the objectives of the research to the relevant South African motor vehicle manufacturer, the general manager of the sales and marketing division of head office provided a list of the dealerships in the population. This list also included the addresses, phone numbers, and four-digit dealer codes for each dealership in the major metropolitan, metropolitan, and town areas in South Africa. The population was then discussed with the manager of sales and marketing, and a sample was agreed upon. It was agreed that the sample would consist of all the dealerships in the Major Metropolitan, Metropolitan, and Town areas in South Africa.

The researcher and manager then drafted a letter that was sent via e-mail to the relevant dealerships in the sample. This letter served to inform dealer principals of the study being conducted, and encourage dealer principals to complete the questionnaires and fulfil the duties required of them. A copy of this letter can be seen in Appendix I. According to the amount of employees in each of the dealerships in the sample, the corresponding number of questionnaires for each dealership was then calculated. A covering letter to each of the relevant dealer principals, explaining how to administer each of the questionnaires, the approximate time taken to complete each questionnaire, and the closing date for the submission of questionnaires, was attached to each batch of questionnaires sent to the dealerships in the sample. Each questionnaire was then coded with the four-digit dealership code in order to ensure that it could be traced back to the correct dealership and that all information pertaining to each dealership remained together and separate from the information received from other dealerships. The covering letters and questionnaires were then transported to the head office of the motor manufacturer, and sent through the internal mailing system of the company. This was done in an attempt to ensure that each dealership in the sample received the questionnaires in a short space of time.

A contact number was provided in the covering letter accompanying the questionnaires, and dealer principals were given the option to phone this number

if any queries or problems arose. A copy of this letter can be seen in Appendix H. Bless and Higson-Smith (1995), claim that the response rate for mailed questionnaires tends to be very low, often only 20 to 40 percent of questionnaires sent out are actually returned. Although the head office of the motor vehicle manufacturer encouraged dealer principals to return the completed questionnaires, the response rate was 42%. Another limitation that occurred, as a result of the use of using mailed questionnaires, was that many of the participants failed to complete the questionnaires correctly.

Although questionnaires were sent to the relevant dealerships using the organisation's internal mailing system, the completed questionnaires had to be returned via the postal system, to the researcher. As a result, some dealer principals maintained that they had returned the questionnaires and yet the researcher did not receive them. The cost and time involved in accessing more questionnaires from Productivity Development (Pty) Ltd, made it impossible to post more questionnaires to these dealerships. This meant that the response rate had to remain at 42%, and could not be increased.

A period of 18 weeks was designated to each dealership for the completion and return of all questionnaires. However, only 28 sets of data were returned within 18 weeks, 5 sets of data were returned within 20 weeks, and 3 sets of data were returned within 22 weeks. Due to the size of the sample and response rate, the later sets of questionnaires were included in the final statistical analysis.

Of the 36 sets of questionnaires returned, 31 were then coded according to the scores allocated to each of the responses. The Customer Satisfaction scores for each of the relevant dealerships that responded (which corresponded to the same period over which the questionnaires were completed) were coded, and the scores captured. None of the instruments contained negatively phrased questions and therefore, each possible response was allocated a score. After coding all 31 questionnaires, a large amount of missing data from two of the sets

of data became evident and therefore, these two dealerships were not included in the final statistical analysis. The final statistical analysis therefore included 29 dealerships. All of the scores were then captured, and the raw figures statistically analysed and tested. The data analysis will be discussed further in section 6.7.

6.6 DATA CAPTURING

Once the questionnaires had been returned to the researcher, the researcher then coded the responses in each questionnaire. These codes were then captured by a data capturer, onto a microsoft excel spreadsheet, in order to be statistically analysed.

6.7 DATA ANALYSIS

The literature surrounding each research instrument provides evidence in support of the validity and reliability of the instruments. Although this is so, the original research design outlined in figure 6.1, makes provision for testing the validity and reliability of the instruments through factor analysis and Cronbach Alpha respectively, before testing for the hypotheses.

According to Bless and Kathuria (1993), a factor analysis simply observes whether the actual repetition of a particular phenomenon corresponds to the repetition that should be recorded, or is expected to be recorded. A factor analysis determines the repetition of similar items and consequent factors, in order to compare the observed factors against the factors identified by the theory (Bless and Kathuria, 1993). Therefore, it was originally intended that a factor analysis be conducted, in an attempt to establish how many factors emerged from the data, and to compare observed repetition and expected repetition, in order to establish whether or not the facts support the theoretical considerations (Bless and Kathuria, 1993). However, De Vellis (1991) states that a minimum

of at least 5 respondents for each item is needed in order to test the construct validity of a particular research instrument by using factor analysis. For the Multifactor Leadership Questionnaire, although 168 questionnaires were returned, 28 of these contained missing data and therefore, only 140 could be included in the final statistical analysis. There are 45 items in the Multifactor Leadership Questionnaire and so, the criterion of at least 5 respondents per item was not achieved. For the Organisation Competence Analysis, 165 questionnaires were returned, 37 of which contained missing data. This meant that 128 cases could be included in the final statistical analysis. With 40 items in the Organisation Competence Analysis, the criterion of at least 5 respondents per item was not met. With regards the Customer Service Index, there are 21 items for sales, and 25 items for services. With only 31 cases, the criterion of at least 5 respondents per item was not met.

It was initially intended that for the purpose of this research, a factor analysis be used to test the construct validity of the Multifactor Leadership Questionnaire, Organisation Competence Analysis Questionnaire and the Customer Satisfaction Index. However, the low response rate and missing data precluded the factor analysis as an option for testing construct validity.

6.7.1 Cronbach's Alpha Coefficient

Although factor analysis was ruled out as a measure a measure of reliability, analysing the data of the research instruments for inter-item reliability using Cronbach's Alpha coefficient was still possible.

A Cronbach's Alpha coefficient was calculated using the Bio Medical Data Processing computer package (Frane, Jennrich, and Sampson, in Dixon and Brown, 1990) for each instrument. This reliability coefficient is based on the average correlation of items within a test (Coakes and Steed, 1997). Cronbach's Alpha coefficient is typically equated with internal consistency (De Vellis,

1991). The Cronbach Alpha is interpreted as a coefficient Alpha and its values range from 0 to 1 (Coakes and Steed, 1997). When calculating Cronbach's reliability coefficient, reliabilities less than 0.6 are considered poor, reliabilities within the 0.7 range are considered acceptable, and those coefficients over 0.8 are considered good (Sekaran, 1992). The closer the reliability coefficient is to 1.0 - the better the reliability of the instrument (Sekaran, 1992).

6.7.1.1 Cronbach Alpha Scores for the Multifactor Leadership Questionnaire

A Cronbach Alpha test was conducted in an attempt to obtain a reliability coefficient for the Multifactor Leadership Questionnaire. This reliability test yielded Alpha coefficients of 0.9259, 0.3721, and 0.6601 for transformational, transactional, and nontransactional leadership respectively. Therefore, according to Sekaran (1992), the reliability of the transformational leadership factor is good, reliability of the transactional leadership factor is poor, and the reliability of the nontransactional leadership factor is acceptable. Therefore, for this research, the Multifactor Leadership Questionnaire is not a reliable measure of transactional leadership.

6.7.1.2 Cronbach Alpha Scores for the Organisation Competence Analysis

Cronbach Alpha coefficients were calculated in order to assess the reliability of the Organisation Competence Analysis for this study. Results from this test yielded reliability coefficients of 0.4657, 0.4373, and 0.3858, for collaboration, commitment, and creativity respectively. Therefore, as is evident from the results obtained in this study, the Organisation Competence Analysis is not a reliable instrument.

6.7.1.3 Cronbach Alpha Scores for the Customer Satisfaction index

A Cronbach Alpha coefficient was calculated for both the sales and service

aspects of the Customer Satisfaction Index in order to establish reliability. Alphas obtained for the Customer Satisfaction Index were 0.3000 and 0.5916 for sales and services respectively. Therefore, according to the Cronbach Alpha coefficient obtained in this research, this instrument is not a reliable measure of customer satisfaction of sales and service.

6.7.2 Hypothesis Testing

As mentioned previously, there are two hypotheses in this research. The first hypothesis is concerned with establishing a relationship between the leadership styles and internal quality levels within the dealerships of a South African motor vehicle organisation. The second hypothesis is concerned with establishing a relationship between the internal quality levels and customer satisfaction levels within the dealerships of a South African motor vehicle organisation.

Correlation analyses were conducted, using Statistica (StatSoft, 1999) in order to establish if a relationship exists between the leadership styles, internal quality, and customer satisfaction levels of the dealerships of a South African motor vehicle manufacturer. Correlation analysis measures the degree of a relationship between two variables, and expresses the extent of this relationship by means of a correlation coefficient (Bless and Kathuria, 1993). Due to the fact that the hypotheses of this research are focused on establishing a relationship between two variables, it is necessary to use statistical tests that will test the relationship between the two variables in each hypothesis. It is not enough to establish whether or not the relationship between these variables exists, it is also important to investigate the extent to which each variable influences the other within this relationship.

Correlation coefficients represent the nature of the relationship between more than one variable, whereby a coefficient of above 0.8 represents a strong relationship, a coefficient of between 0.5 and 0.8 represents a moderate

relationship, and a coefficient of below 0.5 represents a weak relationship (Devore and Peck, 1993). The results of the correlation analysis will be presented in the following chapter.

Figure 6.1 of this chapter indicates that a regression analysis was required to test the hypotheses of this research. However, this test was not conducted due to the fact that the correlation analysis yielded results that indicate little to no relationship between the variables identified by the hypotheses. This meant that the regression analysis was no longer feasible.

6.8 SUMMATION

This chapter has presented the methodology of the research and the process of data collection and analysis. The two hypotheses of the research were presented, and the research design outlined. The population included all of the motor vehicle dealerships in the major metropolitan, metropolitan, and town dealerships in South Africa, and the sample included 85 of these dealerships from three of the four geographical classifications. Twenty-nine of the 85 dealerships in the sample were included in the final statistical analysis.

The process of data collection began with a meeting between the researcher and the general sales manager at the head office of the relevant motor vehicle manufacturer, where a sample was agreed-upon. Thereafter, questionnaires were coded with the relevant dealership code and posted, along with a covering letter, to the dealerships in the sample. After a period of 22 weeks, all of the returned questionnaires were coded and a data capturer then captured these scores.

This research makes use of three instruments, the Multifactor Leadership Questionnaire, the Organisation Competence Analysis, and the Customer Satisfaction Index. This chapter discusses each of these instruments in detail,

and presents the reliability and validity of each of these instruments.

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

CHAPTER SEVEN

RESULTS AND DISCUSSION

7.1 OVERVIEW

The previous chapter explained the method of data collection and the issues surrounding the process of data collection. Once the data was collected from the dealerships, statistical analysis was used to test the data for various reasons. Exploratory and confirmatory factor analyses were conducted, and the Cronbach reliability coefficients were calculated for all of the instruments used in this research, in an attempt to confirm the reliability of these instruments. The hypotheses were then tested using correlation analysis. This statistical test was conducted in order to establish the extent to which a relationship exists between the two variables identified in each of the two hypotheses – leadership and internal quality, and internal quality and customer satisfaction. The results of the correlation analyses are presented in this chapter. After presenting the results of the correlation analyses in table form, the implications of these results are discussed in light of the literature reviewed in the first five chapters of this research. Research limitations are identified, and recommendations for further research are also made in this chapter.

7.2 RESULTS OF THE CORRELATION ANALYSIS

The first hypothesis of this research attempts to establish whether or not a relationship exists between the leadership styles being practised, and the level of internal quality within the dealerships of a South African motor vehicle organisation. The second hypothesis is concerned with establishing a relationship between the level of internal quality, and the level of customer

satisfaction within the same dealerships of a South African motor vehicle organisation. The results of the correlation analysis, used to assess the relationship between those variables identified by the hypotheses of this research, are presented in the following two tables. Table 7.1 presents the correlation scores of the relationship between all of the main dimensions of leadership identified by the Full Range Leadership Development Theory, and the main dimensions of internal quality, as identified by the Competence Process. Table 7.2 presents the correlation scores for the relationship between the main dimensions of internal quality, and the main dimensions – the sales and service aspects - of the Customer Satisfaction Index.

Table 7.1 Relationship between Leadership and Internal Quality

	Transformational Leadership	Transactional Leadership	Nontransactional Leadership
Collaboration (as it is)	-0.13	-0.12	0.14
Commitment (as it is)	-0.18	-0.20	0.15
Creativity (as it is)	-0.05	0.03	-0.01

According to the classification of correlation scores defined by Devore and Peck (1993) and presented in chapter six of this research, the results presented in this table indicate weakly, and predominantly negatively, correlated relationships between the main dimensions of leadership and the main dimensions of internal quality for the subjects included in the sample. This is due to the fact that the correlation coefficients fall below 0.5, and therefore constitute a weak

relationship.

Table 7.2 Relationship between Internal Quality and Customer Satisfaction

	Collaboration (as it is)	Commitment (as it is)	Creativity (as it is)
Sales	0.17	0.02	-0.40
Service	0.07	0.09	-0.38

Table 7.2 presents the correlation scores for the relationship between the main dimensions of internal quality, and the main dimensions of customer satisfaction. As is evident from the results presented in this table, the relationship between the first two dimensions of the Competence Process - collaboration and commitment - and the sales and services of the dealerships used in this research, are positively correlated. These positive correlation coefficients indicate a weak relationship, due to the fact that the results fall below the cut-off point of 0.5 - an acceptable correlation for a moderate relationship (Devone and Peck, 1993). The relationship between the third dimension of the Competence Process – creativity - and the sales and service at these dealerships, is negatively and weakly correlated, as it also falls below this cut-off point, and is a negative score.

7.3 DISCUSSION OF RESULTS

Correlation analysis was used to test the relationship between the variables identified in the hypotheses of this research. The first relationship tested by

means of correlation analysis, is the relationship between the leadership styles and internal quality levels within the dealerships of a South African motor vehicle organisation, and is presented in Table 7.1. The second relationship tested through correlation analysis, is the relationship between the internal quality levels and customer satisfaction levels of the dealerships within a South African motor vehicle organisation, and is presented in Table 7.2.

From the tables of results, it is clear that the correlation analysis results indicate a weakly correlated relationship between leadership and internal quality, and a weakly correlated relationship between internal quality and customer satisfaction. Therefore, from the results obtained in this research, it is clear that the null hypotheses have been accepted.

Although the null hypotheses of this research can not be rejected by the results obtained in the correlation analysis, the variables being measured may still be relevant. Although a relationship may well exist between the variables identified by the hypotheses, this research was unable to establish this relationship as a result of the limitations discussed below.

7.4 RESEARCH LIMITATIONS

It is necessary to explain the research limitations at this stage, in order to point out the possible reasons for the rejection of the null hypotheses. Results obtained from the reliability studies conducted, and presented in chapter six of this research, indicate that the instruments used to gather data were not reliable. In order to successfully complete a factor analysis for a forty-item scale, a sample of approximately 200 to 400 subjects is necessary (De Vellis, 1991). Due to the fact that the population included 85 dealerships, and five questionnaires for both the Multifactor Leadership Questionnaire and the Organisation Competence Analysis were required for maximum reliability, a sample size of approximately 255 subjects was expected. This would require a

response of 60% of the dealerships in the sample. Use of the internal mailing system of the South African motor vehicle organisation, and assistance from the head office of the motor vehicle organisation, made this response rate seem both feasible and attainable. However, only 42% of the population returned completed questionnaires, and only 81% of these dealerships returned the necessary data and could be included in the final statistical analysis (reasons for this are given in chapter six of this research). Therefore, from an expected sample of 51 dealerships, only 29 dealerships returned completed questionnaires that could be included in the final statistical analysis. This made the factor analysis difficult and impacted upon the results obtained for the reliability of these instruments.

Although the sample size impacted upon the results of the factor analysis, the Cronbach Alpha coefficients also proved that the reliability of the instruments is low. Therefore, further statistical analysis of the data obtained from these instruments was inconclusive.

7.5 RECOMENDATIONS FOR FURTHER RESEARCH

Due to the fact that the size of the population and sample made the statistical analysis of the data extremely difficult, it is recommended that in future studies, these instruments are used to obtain information from larger samples. Each dealership has different leaders practising different styles of leadership, and employees that experience different levels of internal quality in terms of collaboration, commitment, and creativity, and the support conditions thereof. This, coupled with the fact that each dealership experiences different customer satisfaction levels (although the scores for all of the dealerships in the sample were relatively high), made it difficult to establish the extent to which these three variables are related for the organisation as a whole. Therefore, it is recommended that in future research, these instruments be used to assess an organisation with one workforce, consisting of various business units, that is

influenced, or impacted upon by the same leaders and co-workers. If research is conducted into different workforces, it is recommended that the data and statistical analysis for each workforce is kept separate from one another, in order to eliminate the effect that varying leadership styles and internal quality levels, from the different workforces, has on the overall statistical analysis. Once the scores have been obtained for each workforce, they can then be compared and contrasted to the other workforces in the study, in order to establish where differences and deviations occur. However, this research would require separate workforces that constitute a sample large enough for the necessary statistical analysis.

Another avenue for research, using the same variables and sample, could include three separate samples, perhaps separated according to their geographical classification, to be assessed using all three instruments. This way, the scores received for these two samples, can be compared and contrasted, and the differences in leadership styles, internal quality levels, and customer satisfaction levels can be compared and contrasted. For the final statistical analysis of this data, ANOVA tests can be conducted.

7.6 SUMMATION

The tables in this chapter represent the results of the statistical analysis conducted on the information gathered by the Multifactor Leadership Questionnaire, the Organisation Competence Analysis, and the Customer Satisfaction Index. The results obtained from the reliability analyses, conducted on these three instruments, are reported on in chapter six of this research. After obtaining the results from the reliability studies, the hypotheses of this research were tested using correlation analysis, the results of which are included in this chapter.

As is evident from the correlation scores, presented in the previous tables in this

chapter, no significant relationship exists between the leadership styles, internal quality, and customer satisfaction levels of the dealerships of the South African motor vehicle manufacturer used in this study.

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APPENDIX A

Instruction Sheet for the Multifactor Leadership Questionnaire (Leader and Rater versions)

Multifactor Leadership Questionnaire Question Booklets (MLQM)

Instructions:

1. Write in the details of the Leader's Name and other particulars on both the Leader's and Rater Answer Sheets.
2. Distribute the Booklets and Answer Sheets. **Be sure that the name on the answer sheet and booklets match and are sent to the same person.**
3. Distribute the Rater Booklets and Rater Answer Sheets to others who know the leader well.
4. Mark on the Leader Answer Sheet how many Rater Answer Sheets you have distributed.
5. **Important:** Fill out a date on each Answer Sheet and send them to PRODUCTIVITY DEVELOPMENT at least 10 working days before you need the report.
6. Distribute the Leader Booklet and Leader Answer Sheet to the Leader.
7. Complete the Answer Sheets and then place them in an envelope big enough to receive them **WITHOUT FOLDING** and send it to The Scoring Department at the address below.
8. You will need to confirm that the answer sheets have been sent to the address below by ten working days before you need your *Multifactor Leadership Questionnaire Report*.

If you have questions, contact:

The Scoring Department
Productivity Development (Pty) Ltd.
P.O. Box 756
Randburg
2125

Tel.: (011) 787-3349
Fax: (011) 789-4628

APPENDIX B

Leader version of the Multifactor Leadership Questionnaire – Question Paper

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

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

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

When you are finished please place your Answer Sheet in an envelope large enough - and send to the address below.

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APPENDIX C

Leader version of the Multifactor Leadership Questionnaire – Answer Sheet

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:

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

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

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 Book. 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 the items in the question booklet. If an item is irrelevant, or if you are unsure or do not know answer, leave the answer blank. Forty-five descriptive statements are listed in the MLQ Leader Booklet. Judge how frequently each statement fits you. Use the rating scale shown below:

Proper Mark: ○ ○ ● ○ Improper Marks:

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

0 1 2 3 4	0 1 2 3 4	0 1 2 3 4
1. ○ ○ ○ ○ ○	16. ○ ○ ○ ○ ○	31. ○ ○ ○ ○ ○
2. ○ ○ ○ ○ ○	17. ○ ○ ○ ○ ○	32. ○ ○ ○ ○ ○
3. ○ ○ ○ ○ ○	18. ○ ○ ○ ○ ○	33. ○ ○ ○ ○ ○
4. ○ ○ ○ ○ ○	19. ○ ○ ○ ○ ○	34. ○ ○ ○ ○ ○
5. ○ ○ ○ ○ ○	20. ○ ○ ○ ○ ○	35. ○ ○ ○ ○ ○
6. ○ ○ ○ ○ ○	21. ○ ○ ○ ○ ○	36. ○ ○ ○ ○ ○
7. ○ ○ ○ ○ ○	22. ○ ○ ○ ○ ○	37. ○ ○ ○ ○ ○
8. ○ ○ ○ ○ ○	23. ○ ○ ○ ○ ○	38. ○ ○ ○ ○ ○
9. ○ ○ ○ ○ ○	24. ○ ○ ○ ○ ○	39. ○ ○ ○ ○ ○
10. ○ ○ ○ ○ ○	25. ○ ○ ○ ○ ○	40. ○ ○ ○ ○ ○
11. ○ ○ ○ ○ ○	26. ○ ○ ○ ○ ○	41. ○ ○ ○ ○ ○
12. ○ ○ ○ ○ ○	27. ○ ○ ○ ○ ○	42. ○ ○ ○ ○ ○
13. ○ ○ ○ ○ ○	28. ○ ○ ○ ○ ○	43. ○ ○ ○ ○ ○
14. ○ ○ ○ ○ ○	29. ○ ○ ○ ○ ○	44. ○ ○ ○ ○ ○
15. ○ ○ ○ ○ ○	30. ○ ○ ○ ○ ○	45. ○ ○ ○ ○ ○

APPENDIX D

Rater version of the Multifactor Leadership Questionnaire – Question Paper

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

0
Not at all

1
Once in a while

2
Sometimes

3
Fairly often

4
Frequently if not e

THE PERSON I AM RATING...

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

When you are finished please place your Answer Sheet in an envelope large enough and send to the address below.

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APPENDIX E

Rater version of the Multifactor Leadership Questionnaire – Answer Sheet

Leader Name (Person You Are Rating)

Leader# Rater#

RATER

Leader Name:

Business Unit:

Region:

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:

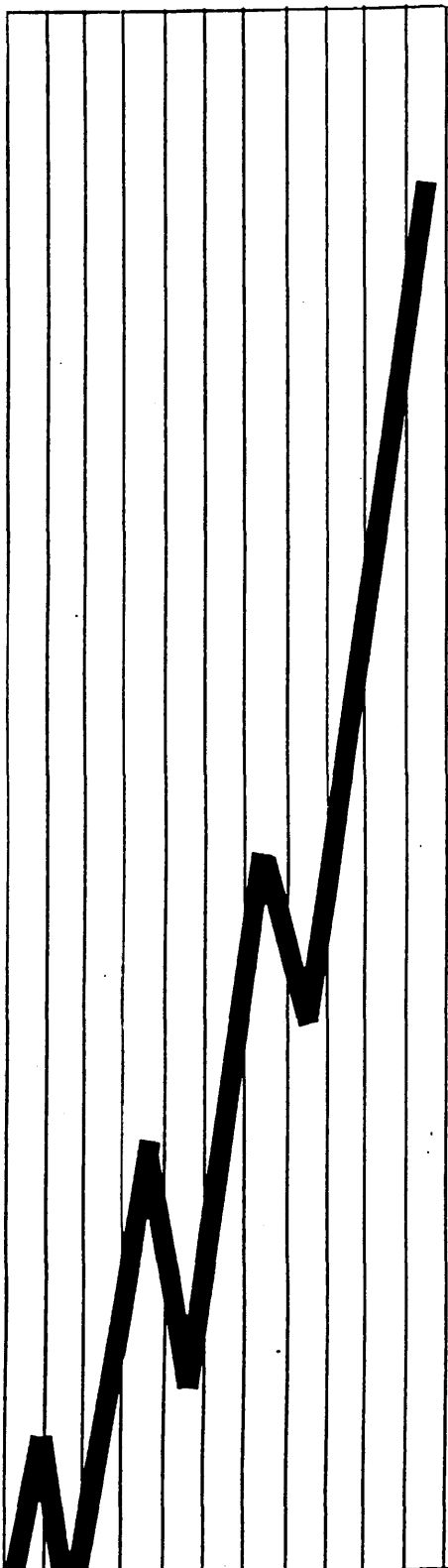
Proper Mark: ○ ○ ● ○

Improper Marks:

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

APPENDIX F

Organisation Competence Analysis - Question Booklet



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ORGANISATION CULTURE ANALYSIS

BY
JAY HALL P.H. D.

Organisation Culture Analysis

Instructions

This is a survey of what the culture is like in organisations. It addresses many elements and experiences that make up organisational life – the type of work done, the rules that apply, how people feel, decision-making policies, incentive systems, etc. You should be able to relate the various questions to your own situation, regardless of your organisation's type or your position in it – the important thing is *how you have experienced these elements in your part of the organisation*.

You are asked to reflect on what you have seen, what you have experienced directly, or perhaps things you have been told, and then to characterise your organisation the best you can.

Survey Format and Rating Procedure

For each of the forty (40) questions, three (3) capsule answers – A, B and C – are provided. These are reference points: each is a brief description of a certain condition commonly found in organisations. Together, they provide a "range" of answers. One description may be right on target for your situation, another completely inaccurate, and the third partially so.

The rating procedure allows you to give a more accurate picture of life in your part of the organisation. You may determine (1) which of the A – B – C descriptions is *most characteristic* and (2) the *degree* of its accuracy.

Example: Suppose that, instead of answering a question about your organisation, you were asked to answer one about personal attractiveness.

How attractive do you feel you are?

	A	B	C
	Quite Attractive	About average	Quite unattractive
AS IT IS	→		
AS I WOULD LIKE IT TO BE	→		
	AA A A _B A _C	BB B B _A B _C	CC C C _A C _B

First, read over all three descriptions – A, B and C – to determine which best captures your general attractiveness. Suppose you choose "B – About average." Now, decide *how accurate* "B" really is. If it is right on target, check the circle corresponding to "BB". If it's very accurate, but not extremely so, check "B". *Double letters indicate greater accuracy than single ones.*

But suppose you feel that, while of only average overall attractiveness, you have really outstanding eyes; you will want to reflect this greater than average attractive feature in your rating by selecting "BA". This rating means: Definitely "B", but with elements of "A" as well. *Subscripts qualify ratings.*

By the same token, apparent opposites can be combined. Suppose you select "A" as most characteristic, but feel your ears are much too big. Then select the "AC" rating to indicate that your answer is definitely "A" with an element of "C".

You are asked to rate each question twice: "As it is" and "As I would like it to be." First, try to give an accurate characterisation of your current situation and second, rate the organisation as you would like it to be under what you consider ideal conditions. The two ratings may be vastly different or quite similar, depending on your own experience.

INSTRUCTIONS

1. Read the question carefully and relate it to your own situation.
2. Read each answer description and select the one which is most accurate.
3. Decide the degree of accuracy of your choice and determine whether either of the others applies to a lesser degree.
4. Mark your selection in the appropriate circle – as your situation is now.
5. Mark your selection as you would like your organisation to be.

Try to be as honest and objective and as discriminating as you can. The ratings you provide may well lead to increased organisational competence and serve to enhance the quality of life in your own and other organisations.

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This inventory is copyrighted. The reproduction of any part of it in any way, whether the reproductions are sold or are furnished free for use, is a violation of copyright law.

1. How are people valued in your part of the organization?

A

People are valued according to the kind of work they do; people who do important jobs are valued more than those who do less important work.

B

People are valued as human beings irrespective of the particular jobs they perform; both the work to be done and the people who perform it are seen as necessary and, therefore, as important.

C

People are valued according to their contributions; all have opportunities to improve skills and enhance personal worth through individual effort.

IT IS **AA A A_B A_C BB B B_A B_C CC C C_A C_B**
 I WOULD
 BE

How are rights and privileges distributed among people in your part of the organization?

A

Rights and privileges are earned on the basis of work record, years with the organization, personal initiative, and the like; it all depends on individual ambition.

B

Basic rights and privileges are keyed to what work one does; those who do more important or difficult jobs are given more than those who do less important or simple work.

C

Basic rights and privileges are uniform distributed; people at the very bottom of the organization can expect the same considerations and protections as those at the top.

IT IS **AA A A_B A_C BB B B_A B_C CC C C_A C_B**
 I WOULD
 BE

How does management view the competence of its personnel in your part of the organization?

A

Management expects the best from its employees and appears to have confidence they all are capable of doing the organization's work; e.g., people are self-directed, initiative is encouraged and supervision is general and collaborative in style.

B

Management prides itself in attracting high caliber people but knows there are some misfits; therefore, supervision is flexible and fitted to the individual person in order to help employees perform well.

C

Management doesn't completely trust either the abilities or intentions of its personnel; e.g. there are many directions governing work penalties for noncompliance are emphasized and supervision is geared to the lower common denominator.

IT IS **AA A A_B A_C BB B B_A B_C CC C C_A C_B**
 I WOULD
 BE

1. What system of power and influence is used in your part of the organization?

A

A joint determination system is used; those in authority share their power with others such that, although management remains accountable, all have influence.

B

An authority-obedience system is used; those in positions of authority exercise the power, make decisions, give the orders and others are expected to obey.

C

A delegative system is used; those with authority delegate sufficient power to others to accomplish tasks on an "as needed" basis.

IT IS **AA A A_B A_C BB B B_A B_C CC C C_A C_B**
 I WOULD
 BE

How are information flow and work demands structured in your part of the organization?

A

A number of provisions are made to expedite and facilitate information flow among people; e.g., memos, information programs, daily bulletins, etc. are used to help overcome built-in barriers to communication and keep people in touch with one another.

B

The organization is structured and work is organized according to the information demands of those who do the work; e.g., related jobs may share locations, cooperative projects may have overlapping personnel, etc.

C

The way work is organized makes it impossible for people to talk or problem solve with one another and get needed information very often; e.g., related functions are often separated geographically or scheduled pressures prohibit interchanges of ideas.

IT IS
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LIKE IT
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BB B B_A B_C

CC C C_A C_B

6. What work incentives are most emphasized by management in your part of the organization?

A

Work incentives geared to people's needs for job security and economic well-being are most emphasized; those who perform satisfactorily can expect a good benefits program and periodic raises.

B

Work incentives aimed at people's needs for a sense of personal importance are most emphasized; those who perform well can expect to be recognized and to advance on merit.

C

Work incentives based on people's need for personal stimulation and freedom are emphasized; work is designed for maximum interest and self-pacing so that people excel if they wish.

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7. What is the policy toward employee suggestions in your part of the organization?

A

Management values our ideas and opinions; our policy is to have informal face-to-face meetings for sharing information and reactions, with management encouraging us to level and doing so themselves.

B

Work policy discourages people from either seeking others' opinions or offering suggestions; it is required that most jobs be done according to standard operational procedures, such that collaboration is seen as unnecessary.

C

Good ideas are valued and a number of mechanisms exist for tapping into what people are thinking; frequent use is made of opinion surveys, suggestion programs, and like.

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CC C C_A C_B

8. How do individual managers treat expressions of opinion in your part of the organization?

A

Our managers are usually willing to hear what their people have to say and will often take the time to listen when people have ideas or comments; usually, managers are good listeners and people feel better for having had a chance to speak their piece.

B

Individual managers are "intolerant" of expressions of opinion, suggestions, and the like from their employees; people who volunteer their thoughts have been known to meet with ridicule, reprimand, or to be simply ignored.

C

Our managers work at creating opportunities for us to express what we are thinking and feeling, encouraging us both to speak up to help one another do so; not only do managers support us in the process, but make it a point to open up as well.

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CC C C_A C_B

How are rules and policies viewed in your part of the organization?

A

The rules and policies which govern personnel and their work are sacred; these are "givens" in the organization and there is no way of testing or updating them, much less determining why they were started.

B

Rules, policies, and procedures are constantly evaluated by those affected in terms of whether they aid or inhibit people in the doing of the work; the updating process is both spontaneous and evolutionary, with a "try it on for size" period preceding adoption of changes.

C

Flexible rules and policies are favored; there is periodic review by management coupled with analysis of personnel and work demands, leading to those changes management deems necessary.

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CC C C_A C_B

0. How are objectives defined and work decisions made in your part of the organization?

A

Most decisions governing the work come from the top down; there are few, if any, explanations offered regarding the reasons for decisions and no attempt to define the overall objective to be served.

B

Decisions governing the work and statements of objectives originate at the top and every effort is made to keep people informed; decisions are explained, reasons for objectives are detailed, and what management hopes for is spelled out.

C

The objectives served by people's work are mostly identified at the top, but decisions governing the work are made at the work level by those who do the work, along with management, so they are able to clarify what is needed and how best to do it.

IT IS
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BB B B_A B_C

CC C C_A C_B

11. Who are the "experts" who most influence work planning in your part of the organization?

A

An "expert" is anyone, irrespective of position, who knows the most about a particular job or situation by virtue of experience and can bring this knowledge to bear on the task at hand.

B

An "expert" is anyone with enough authority to decide what should be done, usually a line manager, and then to see that the job is done accordingly.

C

An "expert" is someone with professional training, usually a staff person, who advises management on what and how everyone else should be doing.

IT IS
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AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

12. What impact do people expect their ideas to have in your part of the organization?

A

People do not expect their ideas or opinions to lead to any real action; there is no mechanism for finding out what we think nor any program for informing us of steps taken as a result of our suggestions.

B

People don't really know what happens as a result of their ideas or opinions becoming known even though their suggestions may be asked for; usually that is the last that is heard of the issue, such that we doubt that we really have any impact on what goes on here.

C

People can expect that if they are asked what they think their ideas will be given genuine consideration; whenever opinions are requested it is with the implicit understanding that follow-up will occur and we will be kept informed, such that our impact can be tracked.

IT IS
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BE IT
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AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

13. What determines the sense of freedom and security people feel in your part of the organization?

A

The higher they are in the organization, the more free people are to say and do what they please; formal position in the hierarchy determines the amount of security and freedom one enjoys.

B

Freedom and personal security stem more from feelings of trust and respect among people than from position in the organizational chain of command; candor is employed in all directions — up, down, and sideways.

C

People are encouraged to be relaxed; to behave as they wish within the bounds of good taste; it is assumed that everyone is aware of those rules of conduct appropriate to a good organization.

AS IT IS →
AS I WOULD LIKE IT TO BE →

AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

14. How are mistakes typically handled in your part of the organization?

A

While some mistakes are expected, there are provisions for discouraging their occurrence; those making mistakes may expect to hear about them at performance review time or, in serious cases, the manager in charge may be held personally accountable.

B

Only those mistakes of fairly broad significance receive any particular attention at all and then in terms of what they can tell us; mistakes are analyzed to see what we can learn about the way we do things.

C

Mistakes are dealt with according to their seriousness; minor errors may be overlooked if not repeated, major foul-ups may become a part of one's personnel folder or serve as a reason for dismissal.

AS IT IS →
AS I WOULD LIKE IT TO BE →

AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

15. How would you characterize manager-subordinate relations in your part of the organization?

A

For the most part, our managers are courteous and friendly, while maintaining enough distance from those they manage to avoid getting too much personal involvement; some subordinates, as a result, have misgivings while others spend a lot of time either trying to win favor or in simply figuring out the proper decorum.

B

By and large, our managers are open, spontaneous, and responsible in relating to those they manage, laughing, worrying, getting angry, etc., just like people anywhere; as a consequence, subordinates feel comfortable in talking with their managers since they expect they will be genuinely interested and supportive.

C

In general, our managers are somewhat authoritarian, critical, and unfriendly toward those they manage; subordinates tend to feel vulnerable as a consequence, and watch what they say or do pretty carefully when around management.

AS IT IS →
AS I WOULD LIKE IT TO BE →

AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

16. What general feelings seem to characterize the workplace in your part of the organization?

A

In the main, people feel involved in and stimulated by their work; there is an air of informality and vitality in the workplace, such that people appear to look forward to each day's activities and developments.

B

On the whole, people feel relaxed and confident in their work; there is an air of competitiveness and good natured rivalry in the workplace, such that individuals often measure their performance against one another.

C

In general, people feel apprehensive and tense in their work; there is an air of caution and self-protectiveness in the workplace, such that people appear to dread being caught in error or some unauthorized activity.

AS IT IS →
AS I WOULD LIKE IT TO BE →

AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

17. Who makes the "ground rules" regarding operating procedures in your part of the organization?

A

General work procedures are a matter of precedent but we try to control a number of specific features internally; we rely on our manager's ability as a go-between on our behalf in getting permission to do things as we feel they should be done in our part of the organization.

B

Outside forces prescribe for us how our part of the organization is to function; we have little internal control over day-to-day work procedures and must rely upon the ideas and judgment of decision makers in other parts of the organization to get our work done.

C

We set our own ground rules for our part of the organization and plan how our work will be done internally; we know our mission and those with whom we must coordinate our activities, and we decide how best to accomplish the needed tasks.

IS IT
I WOULD
LIKE IT
TO BE

AA A AB AC

BB B BA BC

CC C CA CB

18. How much agreement with a decision must there be by people in your part of the organization before it will be implemented?

A

Everyone affected must feel he/she can "live with" a decision before it will be implemented; the amount of agreement necessary for implementation is really determined by the number of people whose work will be directly affected.

B

Usually a decision will be implemented if a majority of the people can accept it, so long as management also agrees; if management finds that too many people are opposed to a given plan, the decision will be modified sufficiently to overcome most objections.

C

As long as those in authority accept a decision, it will be implemented; it doesn't matter too much if people are opposed to a decision since, if someone in charge has decided that something is to be done, it will be done.

IS IT
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AA A AB AC

BB B BA BC

CC C CA CB

19. Who designs individual work in your part of the organization?

A

All design decisions are made under the auspices of those in positions of authority; our management pretty well monitors its areas of responsibility and controls the design process for our individual operations.

B

Most design decisions are made by those who are charged with doing the work; management tries to locate job design responsibility at the level at which the decision is needed and involves the people whose work is to be most affected.

C

Most design decisions are made by individual managers after consultation with us; management tries to sample our opinions and reactions before actually making decisions which affect our individual operations.

IS IT
I WOULD
LIKE IT
TO BE

AA A AB AC

BB B BA BC

CC C CA CB

20. Who determines the work priorities and sets the pace for individual work in your part of the organization?

A

Pacing and priorities are treated in a flexible manner depending on management's judgment about current demands; both may shift daily, but they are pretty much controlled by our managers, acting on suggestions from us as well as in response to outside pressures.

B

Pacing and priorities are pretty much set by each individual where personal work is concerned; several people might get involved where there is a need for coordination of effort, but management usually leaves it up to each person to decide how best to get the work done and meet performance goals.

C

Pacing and priorities are established during the job analysis phase of work design; they become part of Standard Operating Procedure; time and motion specialists, human engineering experts, outside consultants are the like most influence this aspect of the work.

IS IT
I WOULD
LIKE IT
TO BE

AA A AB AC

BB B BA BC

CC C CA CB

21. How do people in your part of the organization feel about their prospects for accomplishing the organization's goals?

A

People are pessimistic, for the most part, and often feel they are required to accomplish things they have either too little authority or too few resources to do.

B

People have mixed feelings, ranging from excitement to frustration, because they have learned that too often goals are either set unrealistically high or aimed too low for the skills and resources available.

C

People are generally optimistic and share a real "can do" outlook toward their work because they have learned they can shape goals such that they will be realistic and needed resources will be supplied.

AS IT IS →
AS I WOULD LIKE IT TO BE →

AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

22. In your part of the organization, how much emphasis do the task and social aspects of the work receive?

A

There is almost total emphasis placed on people's well-being; ours is a humane system in which management tries to see that no one becomes overwhelmed by work demands or loses his/her identity to the organization.

B

There is almost total emphasis on the accomplishment of our tasks; we are a results-oriented system and, while almost any task-related need is legitimate, social needs are deemphasized and seldom allowed to disrupt work-flow.

C

There is a major emphasis on both what we do and what we need as people; our system is results-oriented in the sense that we pride in what we accomplish and socially sensitive in the sense that we believe people should find meaning in their work, performing better when they do.

AS IT IS →
AS I WOULD LIKE IT TO BE →

AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

23. In your part of the organization, how relevant to work objectives are the decisions people are called on to make?

A

People are trusted with core work decisions of importance to the organization as well as to individual jobs; e.g., we plan and execute approaches to our own work, we may critique and redesign work flow, or we may participate in updating policy for our part of the organization.

B

People are called on primarily to make decisions of a "maintenance" type which may help the organization function, but are not really basic to their work, e.g., we may be asked to serve on the credit union committee or to plan social functions or to organize various drives in which management is interested, etc.

C

People are allowed to make only routine decisions of a "personal" nature which have little bearing on the work as such; we may be asked to decide when to take vacation time, whether or not to join a credit union, when to take breaks, whether or not to bid on new jobs, and the like.

AS IT IS →
AS I WOULD LIKE IT TO BE →

AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

24. What personal needs are most served by the work people do in your part of the organization?

A

The work serves those needs for challenge and variety which people have along with the need to feel that they are making a worthwhile contribution; its main appeal is that people find it consistent with their interests such that, while working, they are also doing things they like to do.

B

The work serves basic employment needs along with those for job security; its major appeal is that it affords a dependable means to personal income since it is not so unique or demanding that people need worry about being replaced simply because they can't do the work.

C

The work serves personal needs for a sense of mastery and achievement; its appeal is that it is unique enough and sufficiently demanding that people must have certain skills to do it well and are therefore able to take pride in their accomplishments.

AS IT IS →
AS I WOULD LIKE IT TO BE →

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BB B B_A B_C

CC C C_A C_B

25. What kind of work ethic does management promote among people in your part of the organization?

A

Management stresses self-sufficiency and individual effort as the keystones of success; e.g., everyone is seen as being in competition with everyone else for organizational rewards.

B

Management encourages a sense of interdependence and mutual reliance among people as a prime condition for competent performance; e.g., being able to depend upon and willing to help one another are thought to yield their own performance rewards.

C

Management promotes group loyalty; team effort as the key ingredients in effective action; e.g., competitions between teams; organizational rewards are used often.

AS IT IS
 AS I WOULD LIKE IT TO BE

AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

26. What kind of working relationships are encouraged among people in your part of the organization?

A

People are encouraged to be thoughtful of one another and, particularly, to avoid saying or doing anything hurtful; management promotes harmony and team spirit among people.

B

People are encouraged to concentrate on their work and to avoid "making waves" or stirring up trouble with one another; management rewards cooperativeness and favors those who make few demands.

C

People are encouraged to be honest and forthright with one another and to keep problems to themselves; management values candor and trust among people as a means of strengthening relationships.

AS IT IS
 AS I WOULD LIKE IT TO BE

AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

27. How essential are people made to feel in your part of the organization?

A

In general, people are made to feel that their individual contributions are of fundamental importance to the well-being of the organization; management provides feedback to show how overall performance depends on the combined efforts of us all.

B

For the most part, people are made to feel that they could leave tomorrow and never be missed; the impersonal climate, misuse or misassignment of skilled people, lack of feedback, etc., make people feel that anyone could do their jobs.

C

People are told that they are important to the organization, but there is so much busy work, assignment of meaningless chores, and little objective feedback that people sometimes wonder if they are truly essential.

AS IT IS
 AS I WOULD LIKE IT TO BE

AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

28. What does management do in your part of the organization to gain people's commitment to decisions affecting their work?

A

Management views commitment as an outgrowth of personal involvement and, therefore, focuses on finding ways of including people in the making of decisions, reacting to and critiquing of proposals, and the like on an ongoing basis.

B

Management seems to feel that understanding is the key to commitment and, therefore, focuses primarily on informational mechanisms for explaining, educating, convincing us, etc. about the intent and reasons for its decisions.

C

Management is more concerned with compliance than commitment and, therefore, focuses primarily on developing control and evaluation mechanisms to insure conformity.

AS IT IS
 AS I WOULD LIKE IT TO BE

AA A A_B A_C

BB B B_A B_C

CC C C_A C_B

33. What is management's policy toward personal experimentation or originality in your part of the organization?

A

People want and are encouraged to find better ways of doing things in their work and they share in the rewards when they do so; it is assumed that some failure is the expected price of progress.

B

Any sort of personal originality or departure from established ways of doing things is discouraged; should it occur anyway and result in loss of time, materials or revenues, serious action may be taken.

C

There is no particular policy governing personal attempts to do things differently — is accepted that people will do this; however, failures carry personal accountability and successes become the property of the organization.

IT IS
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AA A AB AC

BB B BA BC

CC C CA CB

34. What opportunities are afforded among those you work with for sharing ideas, testing out assumptions, conferring, etc?

A

There are few opportunities afforded for the interchanging of ideas and most discussion is looked upon by management as wasting time; a solitary approach to work is preferred and people are encouraged to be self-reliant and capable of functioning with minimal direction or outside help.

B

We find a number of opportunities to compare notes, etc., in informal settings and on our own time; while management insists that we all be personally competent in our work, it doesn't matter if we use coffee breaks, meal time, and the like to share ideas, get suggestions or confer with one another about our work.

C

Management encourages us to confer with one another about our work and we simply create opportunities to do so as the need arises; the notion of sharing ideas, getting feedback on suggestions, testing out hunches, etc., with those we work with is basic to our approach to work.

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AA A AB AC

BB B BA BC

CC C CA CB

35. How open and candid about their work are people encouraged to be in your part of the organization?

A

In general, people are encouraged to use "good judgment" in discussing their work and ideas; we are expected to be cautious and to monitor what we say, such that others may know *what* we do but very little of *how* we are doing or what we really think.

B

For the most part, management prefers that people refrain from discussing what they do and pretty much keep their thoughts and ideas to themselves; management doesn't feel that a person's work concerns anyone else or that there is any need for people to confer with others about what they do or think.

C

In the main, people are encouraged to be open and revealing about what they are thinking and doing; management feels that we are each obliged to keep others informed about our personal progress, new ideas, problems, etc., and that we will all find it helpful in work to share in what is known within the workplace.

IT IS
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AA A AB AC

BB B BA BC

CC C CA CB

36. What policy on feedback and critique is promoted in your part of the organization?

A

Feedback is seen as a performance tool; people actively work at getting feedback from others on their ideas, asking for critique and reactions from those they work with, and usually there is evidence that the information gained will be put to use.

B

The idea of feedback receives a lot of lip-service; people accept feedback when it is offered although they seldom seek it out, and it is hard to tell what impact others' ideas or observations really have since most people simply listen agreeably and then go on about their work as if nothing has happened.

C

Giving feedback is seen as a management prerogative; people try to avoid situations in which their work or ideas will be criticized by anyone other than management and are inclined to be defensive and rejecting of others' ideas or observations, such that not really worth the effort to even seek feedback.

IT IS
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BE IT
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AA A AB AC

BB B BA BC

CC C CA CB

APPENDIX G

Organisation Competence Analysis – Answer Sheet

COMPETENCE ANALYSIS™

Please provide the information requested below. Read over the example and, using the workbooklet, answer the 80 items on the other side. Please do not copy.

DEPARTMENTAL CODE

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

1 2 3 4 5 6 7 8 9 0

YEARS WITH ORGANISATION

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

0 1 2 3 4 5 6 7 8 9

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

0 1 2 3 4 5 6 7 8 9

POSITION LEVEL

Top Management

Upper Management

Middle Management

Lower Management

Non-Management

INSTRUCTIONS

1. Complete all requested information
2. Please use #2 pencil.
3. To change answer erase incorrect mark completely

MISCELLANEOUS

1 2 3 4

A ○ ○ ○ ○

B ○ ○ ○ ○

C ○ ○ ○ ○

D ○ ○ ○ ○

E ○ ○ ○ ○

F ○ ○ ○ ○

WORK SITUATION

Salaried

Hourly

Union

Non-Union

AGE

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0 1 2 3 4 5 6 7 8 9

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

0 1 2 3 4 5 6 7 8 9

SEX

○ ○

M F

Example: Suppose that, instead of answering a question about your organisation, you were asked to answer one about personal attractiveness.

How attractive do you feel you are?

<p style="font-size: 2em; font-weight: bold;">A</p> <p>Quite Attractive</p>	<p style="font-size: 2em; font-weight: bold;">B</p> <p>About average</p>	<p style="font-size: 2em; font-weight: bold;">C</p> <p>Quite unattractive</p>
<p>AS IT IS →</p> <p>AS I WOULD LIKE IT TO BE →</p>	<p>AA A₁ A₂ A₃ A₄ BB B B₁ B₂</p>	<p>CC C C₁ C₂</p>

First, read over all three descriptions – A, B and C – to determine which best captures your general attractiveness. Suppose you choose "A" – About average." Now, decide how accurate "B" really is. If it is right on target, check the circle corresponding to "BB". If it's very accurate, but not extremely so, check "B". Double letters indicate greater accuracy than single ones.

But suppose you feel that, while of only average overall attractiveness, you have really outstanding eyes; you will want to reflect this greater than average attractive feature in your rating by selecting "BA". This rating means: Definitely "B", but with elements of "A" as well. Subscripts qualify ratings.

By the same token, apparent opposites can be combined. Suppose you select "A" as most characteristic, but feel your ears are much to big. Then select the "AC" rating to indicate that your answer is definitely "A" with an element of "C".

You are asked to rate each question twice: "As It Is" and "As I would like it to be". First, try to give an accurate characterisation of your current situation and second, rate the organisation as you would like it to be under what you consider ideal conditions. The two ratings may be vastly different or quite similar, depending on your own experience.

- INSTRUCTIONS**
1. Read the question carefully and relate it to your own situation.
 2. Read each answer description and select the one which is most accurate.
 3. Decide the degree of accuracy of your choice and determine whether either of the others applies to a lesser degree.
 4. Mark your selection in the appropriate circle – as your situation is now.
 5. Mark your selection as you would like your organisation to be.

APPENDIX H

Covering letter, accompanying questionnaires sent to dealerships.

Dear Mr. B. Pitt

Attached please find a copy of questionnaires mentioned previously in a letter from (general sales manager's name). These questionnaires are part of a study into the relationship between leadership style, internal quality, and customer satisfaction.

The first questionnaire is called the Multifactor Leadership Questionnaire and consists of two versions, the leader version and the rater version. This questionnaire should take approximately 20 minutes to complete and instructions on how to complete it are given on the covering page of the questionnaire. The leader version is to be completed by you (the dealer principal) and the rater version is to be completed by your subordinates who work closely with you (all of the questionnaires supplied should be completed).

The second questionnaire is called the Organisation Culture Analysis and is used to survey what the internal quality is like in organisations. All of the questionnaires supplied should be completed on the separate answer sheet provided. Instructions on how to complete these questionnaires are given on the inside of the first page. The candidate completing this questionnaire should include those candidates who completed the Multifactor Leadership Questionnaire. This questionnaire should take approximately 60 minutes to complete.

These employees should be chosen randomly by you in order to get a more accurate profile of you and your dealership.

Please could all questionnaires be posted back using the envelope provided.
Completed questionnaires should be returned as soon as possible.

Should you have any queries please do not hesitate to contact me (name of researcher) on: (telephone number of researcher).

Your co-operation in this matter would be greatly appreciated.

Yours Sincerely,

(Miss J. Botha)

APPENDIX I

Letter sent to dealerships by the General Manager of the South African motor vehicle organisation (head office), prior to posting of Questionnaires

Dear Mr. D. Lerprinciple

Please be advised that a study is being conducted into the relationship between the leadership styles, internal quality, and customer satisfaction at (anonymous motor manufacturer) dealerships in South Africa. Your dealership falls into the sample that has been selected to represent the entire population of (anonymous motor manufacturer) dealerships in South Africa.

Two sets of questionnaires will be sent to you during the course of the month. The method of administering these questionnaires will be explained in a covering letter accompanying these questionnaires.

Your co-operation in this matter would be greatly appreciated as the more questionnaires answered, the more accurate the study and the greater the benefits to (anonymous motor manufacturer) South Africa.

Yours Sincerely,

Mr. So-in-so
General Manager
Head Office