


**AN INVESTIGATION INTO ASPECTS OF  
TRANSFORMATIONAL LEADERSHIP IN SOUTH AFRICAN  
SMALL TO MEDIUM-SIZED ENTERPRISES (SMEs)**

by

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## DECLARATION

I, the undersigned, hereby declare that the work contained in this dissertation is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree. Where appropriate, the intellectual property of other researchers and publications have been properly acknowledged and referenced.

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Date: November 2003

## ABSTRACT

To the world community at large globalisation has been a gradual process, whereas its impact in South Africa was more intensive and concentrated over a shorter period of time – in particular since South Africa's return to the international community in the early to middle 1990s, its economy, *inter alia*, has had to adjust to this phenomenon. It is within this environment that all enterprises constituting the South African economy also had to adapt and adjust to a new world environment.

From the middle 1980s a new discourse in the literature on the effect of a “new” style of leadership (based on continuous learning, renewal, innovation and entrepreneurship) was reported on in which these leaders brought about significant change in organisations. These leaders recognise the need for change in their organisations. They create a new vision. They bring about change in their organisations to meet the challenges from the changing environment and have been accordingly recognised as transformational leaders.

This leadership style has been extensively reported on in large organisations, in both the private and the public sectors. For example, literature and research abound on the impact of transformational leaders in large business enterprises (e.g. Lee Iacocca of Chrysler, Jack Welch of General Electric) and government institutions, such as education, the military and health (e.g. Nelson Mandela of South Africa, Mahatma Ghandi of India).

A review of the literature on the impact of transformational leadership in large organisations, without fail, reports significant manifestations of success in those organisations' growth, cohesion and development into more successful and competitive units.

Concomitantly, it is generally acknowledged by the World Bank, the International Monetary Fund, the European Union, the Asian Development Bank and other organisations of similar position, that small to medium-sized enterprises (SMEs) shape the very foundation of the majority of successful economies.

The impact of transformational leadership in small and medium-sized enterprises (SMEs) has not been measured and reported on in an empirical appraisal and surprisingly little has been forthcoming on the role and impact of transformational leadership in SMEs globally. However, from an entrepreneurial perspective, much has been researched and written on the qualities that support risk-taking, innovation and competition in SMEs.

It is within this context that it was decided to investigate the concept of transformational leadership in entrepreneurs, i.e. that group of people who are generally referred to as the drivers of the economy.

This dissertation reviews the literature on leadership practices and styles in organisations as a basis to specifically identify the co-producers of leadership in entrepreneurs in SMEs. It is within this context that an empirical study on aspects of transformational leadership in SMEs in a South African context was conducted.

This empirical survey verifies the relationship between characteristics of these entrepreneurs and characteristics typically associated with transformational leaders, as manifested in large organisations.

Therefore, given the above empirical evidence, the model developed for this study defines the qualities of a transformational leader which will enable those leaders/entrepreneurs (in SMEs with growth potential) to take their organisations from average performance levels to levels comparable to world-class leadership and competitiveness.

## **OPSOMMING (ABSTRACT IN AFRIKAANS)**

Vir die wêreldgemeenskap in sy geheel was globalisering 'n geleidelike proses, terwyl die impak daarvan op Suid-Afrika meer intensief en gekonsentreerd oor 'n korter tydperk plaasgevind het – meer spesifiek sedert Suid-Afrika se terugkeer gedurende die vroeë tot middel 1990s tot die internasionale gemeenskap waartydens die ekonomie, onder andere, tot hierdie verskynsel moes aanpas. Dit is binne hierdie omgewing waarbinne alle ondernemings wat die basis van die ekonomie vorm, tot die nuwe wêreldomgewing moes aanpas.

Vanaf die middel 1980s is daar redevoering in die literatuur oor die invloed van 'n "nuwe" leierskapstyl (met die uitgangspunte van verandering, innovering en entrepreneurskap) waarvolgens hierdie leiers aansienlike verandering in hul organisasies teweegbring. Hierdie leiers begryp die noodsaaklikheid van verandering en skep sodoende 'n nuwe visie binne hul organisasies. Hulle bring verandering binne hierdie organisasies teweeg en aanvaar die uitdagings vanuit die omgewing – hierdie leiers word as transformasieleiers uitgeken.

Vanuit die oogpunt van beide groot, privaat- en openbare organisasies, word hierdie leierskapstyl omvattend vermeld; byvoorbeeld, in navorsing en literatuur is voldoende verwysings oor die invloed van transformasieleierskap in groot ondernemings (bv. Lee Iacocca van Chrysler, Jack Welch van General Electric) en in staatorganisasies, soos in opvoeding, die militêre asook gesondheid (bv. Nelson Mandela van Suid-Afrika, Mahatma Ghandi van Indië).

'n Literatuuroorsig oor die invloed van transformasieleierskap op groot organisasies dui sonder uitsondering op 'n beduidende invloed van sukses in die groei van hierdie ondernemings aan, asook beter spanwerk en die ontplooiing van meer suksesvolle en mededingende eenhede binne hierdie organisasies.

Insgelyks, word dit algemeen deur die Wêreldbank, die Internasionale Monetêre Fonds, die Europese Gemeenskap, die Asiese Ontwikkelingsbank en ander soortgelyke organisasies aanvaar dat klein tot middelgroot-ondernemings (KMOs) die onderbou van die meerderheid van suksesvolle ekonomiese vorm.

Vanuit 'n entrepreneuriese perspektief is 'n aansienlike hoeveelheid navorsing en publikasies reeds oor die faktore gedoen wat entrepreneurskap in KMOs ondersteun, naamlik risikoneming, innovering en mededinging. Dog, vanuit 'n empiriese benadering, is daar nog nie navorsing oor die invloed van transformasieleierskap in KMOs gelewer nie.

Dit is binne hierdie konteks dat die besluit geneem is om die konsep van transformasieleierskap in entrepreneurs te ondersoek, m.a.w. daardie groep mense waarna oor die algemeen as die dryfkrag van die ekonomie verwys word.

As vertrekpunt ondersoek hierdie verhandeling die literatuur met betrekking tot leierskapgebruik en -style in organisasies, om sodoende meer spesifiek die medeprodusente van leierskap in entrepreneurs in KMOs te bepaal. Vanaf hierdie vertrekpunt word die 'n empiriese ondersoek geloods en voltooi om die teenwoordigheid van transformasieleierskap in KMOs in Suid-Afrika te bepaal.

Die empiriese navorsing bevestig die verwantskap tussen die eienskappe van hierdie entrepreneurs en die eienskappe wat tipies aan transformasieleiers in groot organisasies toegeskryf word.

Gegewe die bogenoemde empiriese bevindinge omskryf die model (wat gevolglik vir hierdie studie ontwikkel is) die eienskappe van transformasieleiers wat vir leiers/entrepreneurs (in KMOs met groeimoglikhede) van nut sal wees om sodoende hul ondernemings tot prestasievlakke te neem wat met wêreldleierskap en mededingingheid vergelyk kan word.



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Dedicated to F.W.J., A.J.E. and H.J.Q.

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## CHAPTER 1: INTRODUCTION TO THE STUDY

### 1.1 INTRODUCTION

Ever since the late 1980s the world order has been characterised by extraordinary degrees of transformation, manifested by rapid political change, economic restructuring, adaptation to new rules of (international) competition, dynamic technological advancement and intense changes in social order.

In larger enterprises increasing attention had been focused on a dynamic style of leadership which induced dramatic changes in organisations which developed a vision of the future of the organisation, essentially a leadership type analogous to a change agent (catalyst), a leadership style which could acquire commitment from others to support that vision (Barling, Slater and Kelloway, 2000:157; Kelloway and Barling, 2000:355; Pillai, Schriesheim and Williams, 1999:650; Waldman, 1987:24).

The theory behind this style of leadership has been exalted under the label of *transformational leadership*. This term for a style of leadership was first distinguished from transactional leadership by Downton (1973) in assessing the differences between revolutionary, rebellious, reform-oriented and ordinary leaders.

Only after Burn's seminal work in 1978 on political leaders, the concept became recognised and accepted in the literature (Tichy and Devanna, 1997; Bass and Avolio, 1993; Tichy and Devanna, 1986b:27; Bennis, 1982:54-56; Bass, 1985a; Bass, 1985b; Tichy and Ulrich, 1984:59-84).

Organisations with cultural values and norms (that reward endeavours such as innovation, development, change and the demonstrating of respect for the individual) provide environments conducive to the advancement of transformational leadership.

Transformational leadership is a systematic process searching for change, innovation and entrepreneurship. Therefore, enterprises that are unable to institute renewal through change, innovation and entrepreneurship will be economically marginalised.

## **1.2 BACKGROUND**

It is within such a dynamic environment that small and medium-sized enterprises (SMEs) have to operate and function productively. In order to continue and compete in new local and global markets, SMEs will have to manage through periods of rapid incremental (and even revolutionary) change.

In this regard, as argued by Cromie (2000:10) and Nadler and Tushman (1990:77), adaptation and speed are of essence. Similarly, South African enterprises, too, are exposed to the environmental variables that bring about rapid changes (Nieman, 2001:446; Visagie, 1997:660; De Coning, 1992:52-59).

The economic stagnation and isolation from markets (both nationally and internationally) brought about by inappropriate political ideologies increasingly enforced its stranglehold on South African enterprises (Dobson, 2001:3-8; Nieman, 2001:445-446; Visagie, 1997:660-661; Viviers and Steyn, 1992:39). For example, the resultant

acquired international pariah status of South Africa and sanctions (such as disinvestment and trade boycotts), have prevented enterprises from competing and exporting internationally, whilst internally these idiosyncrasies had been causal to detachment (and the concomitant loss of opportunities) between *black* and *white* sections of the market. De Coning (1992:53) characterises the scenario of lost opportunities in the South African market as the general failure by business people to exploit opportunities due to their insular approaches towards business from, either a "traditional white business perspective", or a "traditional black business perspective", respectively.

In an argument similar to, and in support of De Coning's postulation above, Berry, Von Blotnitz, Cassim, Kesper, Rajaratnam and Van Sevenster (2002:5) ascribe the poor performance of SMEs in South Africa to, *inter alia*, a highly dualistic economy as a result of limited interaction between the *black* and *white* sections. Therefore, the isolation from world trends and developments engenders lack of vision and a deviation from reality in the leadership abilities of, *inter alia*, SMEs (Denton and Vloeberghs, 2003:86).

Partly the stagnation can be explained in terms of the behaviour of South Africans themselves, including low productivity of labour and deficiencies in their entrepreneurial behaviours (Berry, *et al.*, 2002:5-6). These archaic (or traditional) business perspectives, as particularly argued by De Coning (1992:52), require an urgent reformulation of basic business philosophies and the re-alignment of core-values of business, the latter of which influence basic management perceptions (Hisrich and Dmrovsek, 2002:173; Driver, Wood, Segal and Herrington, 2001:38-48).

If the optimal exploitation of new global opportunities is to be achieved, a major overhaul of existing businesses will have to take place. Such renewals will have to be of a strategic nature and will, in all probability, incorporate changes and transformations in organisation structure, new technology introductions, and core-values (Cromie, 2000:7-10; Smith and Whittaker, 1998:176).

This change equates the "Strategic Window" concept which postulates that there are only limited periods during which the "fit" between the key requirements of a market and the particular competencies of enterprises (competing in that market) are at an optimum (Hisrich and Peters, 2002:41). Entry into markets should be timed to coincide with the periods during which such strategic windows are open. Viewed differently, the macro level, market level and micro level of the business environment will not tolerate incompetence and conditions of imbalance over prolonged periods.

Leadership of, particularly, small business enterprises will therefore have to act purposefully, swiftly and decisively in the broadening of their *Weltanschauung*.

### **1.3 THE PROBLEM AND ITS SETTING**

#### **1.3.1 The statement of the problem**

This research proposes to formulate a conceptual framework for the development of transformational leadership in small and medium-sized enterprises in South Africa.

**1.3.1.1**      **The first subproblem** is to "take inventory" of current leadership perspectives and practices in SMEs.

**1.3.1.2**      **The second subproblem** is to compare the theory of transformational leadership with the "inventory" of entrepreneurial leadership in SMEs to identify potential similarities in existing SME leadership practices.

**1.3.1.3**      **The third subproblem** is to formulate a broad development strategy for SMEs to equip their leadership with a framework for strategic renewal.

## **1.4 THE HYPOTHESIS**

The *hypothesis* is that there is an association between the characteristics of entrepreneurs and the characteristics of transformational leaders.

## **1.5 STUDY DELIMITATION/SCOPE OF THE STUDY**

This study will not reflect the (lack of) magnitude of transformational leadership in all South African enterprises. Altogether, there are approximately one million enterprises in the formal economy of South Africa. It is estimated that approximately 90% of South Africa's formal business entities can be classified as SMEs. This figure equates approximately 900 000 SMEs in the South African economy (*South Africa Yearbook*, 2001/2002:158).

The scope of the study focuses on SMEs with growth potential<sup>1</sup>; it therefore excludes those small and medium-sized enterprises which may have neither the capacity and

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<sup>1</sup> For a detailed discussion on growth potential and growth-orientation in SMEs, cf.: Trullson (2002: 331-339); Boeker and Karichalil (2002:621-622); Perren (1999:366-385); Vyakarnam, Jacobs and Handelberg (1999:158).

the drive, nor the tenacity to implement transformational leadership. Viewed differently, the study will exclude the informal sector and survivalist enterprises (*The State of Small Business in South Africa*, 2001).

## 1.6 DEFINITION OF TERMS AND DEMARCATION OF THE FIELD OF STUDY

*Transformational leadership and transformational leaders:* This form of leadership occurs when leaders "... broaden and elevate the interests of their employees, when they generate awareness and acceptance of the purposes and the mission of the group and when they stir their employees to look beyond their own self-interest for the good of the group" (Bass, 1990:2).

A transformational leader is a charismatic person with courage and imagination who inspires his employees and who possesses characteristics conducive to continuous learning, renewal, innovation and entrepreneurship (Lussier, 2003:413).

The four dimensions that comprise transformational leadership are: idealised influence (i.e. charisma), inspirational motivation, intellectual stimulation, and individualised consideration (Kelloway and Barling, 2000:355). These four dimensions are often referred to as the four I's of transformational leadership.

*Small and medium-sized enterprises (SMEs):* The number of definitions of small-scale enterprises in particular, and medium-sized enterprises in general, virtually equates the number of authors and researchers on the subject (cf. *National Small Business Amendment Bill*, 2003: 5-6; *National Small Business Act*, 1996; Du Plessis, Boshoff,

Moolman and Radder, 1989:56; *National Manpower Commission*, 1984:6-9; Smith, 1978:46) and as a result, the definition of SMEs appears to be one of the most elusive of all demarcations in the discipline of business management studies.

For example, countries with a longer history of public support for SMEs have developed acceptable internal definitions; a case in point is the establishing of the Small Business Administration in the United States of America in 1953 (*Small Business Administration*, 2002). In the latter country, there is reasonable unanimity on SME definitional demarcations (Hodgetts and Kuratko, 2000:6-7).

Similarly, such definitions also exist, *inter alia*, for the member countries of the European Union (*Commission of the European Communities*, 2002) and the United Kingdom (*CEML*, 2002:14-15; Gray, 2002:62; Smith and Whittaker, 1998:179), and Japan (*Japan Small and Medium Enterprise Corporation*, 2003), respectively.

In this study the following delineations will apply to small and medium-sized enterprises:

- an *economic definition* (qualitative guideline) in which the structural and managerial characteristics of the enterprise are closely related, namely:
  - a close linkage between the management and ownership of the enterprise;
  - independent decision-making;
  - personalised management and entrepreneurial/risk-taking behaviour (*National Small Business Act*, 1996: Act 102).



- a *statistical definition* (quantitative guideline): The National Small Business Act (*The State of Small Business in South Africa, 2001*) classifies small businesses into four categories and in order to be classified as small businesses, the Act has adopted the international practice of using quantitative criteria relating to employment, turnover<sup>2</sup> and assets, all of which the enterprise must comply to (cf. Addendum I).

*Small enterprise:* The upper limit of this category is fewer than 50 employees. The enterprises in this category are in general more established as compared with very small enterprises and the business practices of these enterprises are more complex. Most often, they have outgrown direct supervision by the entrepreneur themselves and have developed a secondary co-ordinating mechanism, which distinguishes them from very small enterprises. Growth into a medium-scale enterprise requires an accumulation of resources as well as the appropriate incentives for enterprise expansion (*National Small Business Amendment Bill, 2003:5-6; Trulsson, 2002:332; The State of Small Business in South Africa, 2001*).

*Medium enterprise:* The maximum number of employees is 100, except for the mining, electricity, manufacturing and construction sectors, where it is 200 employees. Although still owner/manager controlled, the ownership and management structure is more complex. Often decentralisation of power to an additional management layer and division of labour is the difference between small and medium-sized enterprise. On the other hand, separation of ownership and management is the natural barrier between medium and large enterprise (*The State of Small Business in South Africa, 2001*).

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<sup>2</sup> The National Small Business Amendment Bill, Government Gazette No. 24628 of 27 March 2003 proposes an amendment to the sales and asset values, as these measures have become outdated due to fluctuations in the value of the Rand. Addendum I indicates the amendments to the current Rand value.

Therefore, the focus of this study will solely be on those SMEs which will benefit from transformational leadership strategies, i.e. SMEs with the potential for growth (Trulsson, 2002:332-333) and expansion into larger enterprises, i.e. enterprises above the threshold of micro-enterprises (*National Small Business Amendment Bill*, 2003:5-6).

## 1.7 ASSUMPTIONS

- 1.7.1 The first assumption:** Transformational leadership is essential and integral in the preparation and strengthening of SMEs to compete in a rapidly changing environment, meaning an environment suffused with perplexity and diversity;
- 1.7.2 The second assumption:** SME leaders have leadership deficiencies, which often leads to business failure (Beaver and Jennings, 2001:93-101; Driver, *et al.*, 2001:3)
- 1.7.3 The third assumption:** As a behavioural process transformational leadership can be learned and applied (Rae and Carswell, 2001:150-158; Perren and Grant, 2001:8-11); and,
- 1.7.4 The fourth assumption:** With the acquisition of transformational skills, SME leaders can initiate and institute strategies for innovation, continuous learning, renewal and entrepreneurship in their enterprises (Lussier, 2003:413).

## 1.8 IMPORTANCE OF THE STUDY

Transformational leadership is an unfamiliar and foreign concept amongst SMEs in South Africa. At a stage where our economy is in a phase of major transformation, a new style of leadership is urgently required. As emphasised earlier in this chapter (cf.

1.2 Background, par. 3), South Africa's seclusion from world markets and the estrangement from internal markets have rendered archaic and predictable leadership styles in SMEs.

A review of literature on transformational leadership (Chapter 3) reveals that this "dynamic style of leadership"<sup>3</sup> has mainly been reported in large corporations in the United States of America, and in enterprises of similar size in the United Kingdom, and New Zealand, as well as in government services the USA, Sweden and Israel (Dvir and Shamir, 2003:327-344; Larsson, Carlstedt, Andersson, Danielsson, Johansson, Johansson, Robertsson and Michel, 2003:16-25; Dvir, Eden, Avolio and Shamir, 2002:735-744; Welford, 2002:7-11; Kane and Tremble, 2000:137-160; Robbins, 2000:471), and also (to a lesser extent) in similar organisations in South Africa (Hellriegel, *et al.*, 2001:301).

Published evidence of a quantitative nature (based on empirical evidence of the implementing and practising of transformational leadership in SMEs) both nationally and internationally, is altogether absent.<sup>4</sup>

Given the fact of the failure of South African large-scale enterprises to sustain the economic growth rate established in the 1960s and early 1970s, expectations have been directed at the SME sector (specifically from the late 1970s onwards) to increase economic activities (Frese and Friedrich, 2002:vi). This is because economic policies

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<sup>3</sup> In recent literature, a trend is detected in which transformational leadership is increasingly being referred to as "new leadership" (Humphries and Einstein, 2003:85; Dvir, Eden, Avolio and Shamir, 2002:735; Griffin, 2000:315; Hunt, 1999:129-143).

<sup>4</sup> The following literature search procedure was used: a systematic manual review of hard copy issues of major journals, as well as a computerised key word search in the EbscoHost, Academic Search Premier, Infotrac and Emerald databases from 1990 to date.

aimed at stimulating the output by large corporations during the aforementioned period failed to such an extent that a paradigm shift towards SMEs was necessitated in the late 1970s.

The high profile meeting between leaders of the public and the private sectors (known as the Carlton Conference of 1979) on strategies of creating infrastructural support and delivery systems for small-scale enterprise, bore explicit substantiation and confirmation to the failure of large-scale enterprise to single-handedly deliver the required economic safety nets, namely growth, productivity, stable employment and increased capital formation.

In 2001 SMEs constituted approximately 900 000 enterprises in the formal sector of the South African economy. Its contribution to the GDP was 42% and it employed more than 50% of the formally employed and economically active population of 13.5 million people (*South Africa Yearbook*, 2001/2002:158). In addition, the SME sector has been designated as the primary economic priority of the long-term economic plan outlined by the Minister of Trade and Industry (*DTI Annual Report*, 2000-2001:6; Dobson, 2002:23; Nieman, 2001:445).

However, of concern is the high failure rate of SMEs. This phenomenon is not unique to South Africa - it is manifested in all market-driven economies. In all instances, research evidence elsewhere suggests that the primary reason for such business failures is inadequate leadership and management skills (Anderson, 2002:3; Davies, Hides and Powell, 2002:407, Ibrahim and Soufani, 2002:421; Hisrich and Drnovsek, 2002:174; *CEML*, 2001:2; Hodgetts and Kuratko, 2000:15-17; Henriksen, 1999:215).

Therefore, by virtue of an earlier statement that this study only concentrates on SMEs with growth potential (cf. 1.5 Study delimitation/Scope of the study, par. 2), those SMEs will have to adopt and implement transformational leadership skills and management styles to cope in a rapidly-changing environment.

Failing to adopt transformational leadership may lead to an increase in the SME failure rate and a further marginalisation of South African enterprises in global markets.

## **1.9 RESEARCH DESIGN AND RESEARCH METHOD**

*Research design* refers to the process of acquiring data, namely the nature of the required data, the location of the data, the securing and the interpretation thereof, whilst the *research method* implies the operational framework within which the data are to be placed and interpreted.

Although common dictum divides research method into four major groupings, each with its unique research approach of dealing with particular problems (Leedy and Ormrod, 2001:88), the data in this study prescribe a combination of research methods. For example, in the extraction of literature and critical data the *historical method* of extracting data was followed. Such extraction of secondary data implies the review of all available literature in published form in text books, academic journals, trade journals, abstracts and articles on transformational leadership (cf. 1.3.1.1 *The first subproblem*).

The *normative survey method* is applied to present the data obtained through primary research procedures, such as acquired through interviews and questionnaires. The

normative survey method is the most appropriate technique of presenting the findings on the current leadership perspectives and practices in SMEs (cf. 1.3.1.2 *The second subproblem*) and of comparing these findings to the theory of transformational leadership (cf. 1.3.1.3 *The third subproblem*).

## **1.10 TRANSFORMATIONAL LEADERSHIP: A SYNOPSIS**

A title search of literature on transformational leadership reveals the predisposition of all authors to emphasise the benefits of implementing this dynamic and charismatic style under the semblance of intrapreneurship (i.e. corporate entrepreneurship) in large corporations (Thornberry, 2003:329-344; Cromie, 2000:10). This section of the research is based on a selective and illustrative, rather than a comprehensive review of the literature.

Possibly the only publications to have elucidated the relationship and virtues of transformational leadership in SMEs in South Africa specifically, are Visagie (1997:660-667) and De Coning (1992:52-59) (cf. Footnote 4), and generally by Denton and Vloeberghs (2003:84-95). Upon scrutinizing the operational elements of transformational leadership, the latter authors highlight the acuteness of the problems facing SMEs. For example, in the case of transformational leadership in large corporations it is functionally a team process, whereas the problem is compounded in SMEs in that (usually) one person only (i.e. the entrepreneur) is responsible for innovation, creativity, change and the implementing of endeavours of a transformational nature.

The result of such a diversity of activities is exemplified in a locus of control in SMEs which becomes diluted, inefficient and non-directional.

However, Humphries and Einstein (2003:86), Pounder (2001:6), Hinkin and Tracey (1999:105), Den Hartog, Van Muijen and Koopman (1997:20) and Bass (1990:21-22) characterise the transformational leader as someone who achieves results in one (or more) of the following ways by exerting, executing and accomplishing the key elements of transformational leadership through:

- charisma (idealised influence) by providing a vision and sense of mission, instilling pride, gaining respect and trust;
- inspiring and communicating high expectations by using symbols to focus efforts and expressing important purposes in simple ways;
- intellectually stimulating staff by promoting intelligence, rationality and careful problem-solving; and,
- catering for individualised consideration by giving personal attention, treating each employee individually, coaching and advising,

whereas Tichy and Ulrich (1986:66) argue that "... (the) transformational leader must possess a deep understanding of organizations and their place in society and the life of individuals ... (and) ... they need to understand concepts of equity, power, freedom, and the dynamics of decision-making".

Given the aforementioned transformational leadership characteristics of the SME entrepreneur, there is adequate and tantamount evidence that these entrepreneurs become so embroiled in the day-to-day routine of survival, that they lose sight of strategic planning (cf. Hisrich and Peters, 2002:447-448; Boocock, Loan-Clarke, Smith and Whittaker, 1999:184; Smith and Whittaker, 1998:176; De Coning, 1988). The short-term survival strategy, as espoused by the former researchers, is also a focal point of research by De Coning (1992:53) who profiles the average SME entrepreneur

in terms of skills, knowledge and attitude as a person who:

- is mainly technically-oriented in knowledge and skills;
- lacks the generalist knowledge of dealing with an enterprise as an entity consisting of numerous subcomponents;
- regards and views him/herself as a victim of macro-environmental circumstances;
- focuses on the internal business environment (i.e. micro environment) and thereby negating the influences of the external environment; and,
- intensely guards independent control of his/her enterprise.

Given the abovementioned findings of a number of studies on the "short-term mindedness" of SME entrepreneurs, it has therefore become imperative to change and adjust their mindsets from short-term orientation to include and incorporate strategic adaptation. Put differently, SME entrepreneurs need to develop a vision, the latter function which will keep the enterprise alert to issues of, and concerns for, transformation and innovation (Fernald, Solomon and Bradley, 1999:312). In the problem statement, it is said that this research project investigates behavioural aspects of transformational leadership in SMEs.

In his seminal work on conceptualising major transformations of the enterprise in terms of linkages between the content of change, its context and process, Pettigrew (1987:651-660) corroborates an outline of literature on transformation leadership, the outline of which forms the basis for the review of related literature.

The literature is quite clear on the role and impact of transformational leadership. Under conditions of "normality", transformational leadership is not regarded as the panacea (Eisenbach, Watson, and Pillai, 1999:82; Bass, 1990:30). Such stipulations, as signified by conditions of stable workforce, technology and environment, in all probability require the typical characteristics of transactional leadership.



Yet, when enterprises are faced with conditions of uncertainty (such as a high technology obsolescence factor and rapid changes in the marketplace), they require the implementation of transformational leadership in organisations (Pawar and Eastman, 1997:80-109). Kelloway and Barling (2000:355-356), Krishnan (2001:126) and Bass (1990:31) are of the opinion that transformational leadership is the only style which allows flexibility to forecast and meet demands as they occur. It therefore has to be fostered at all levels in the enterprise and should encompass structural, cultural and technological transformations.

In essence, this dissertation focuses on the entrepreneur. The key mover in the SME, according to De Coning (1992:53), is this entrepreneur and, based on the profile of the average entrepreneur, the fostering (and effective practising) of transformational leadership creates almost insurmountable barriers in SMEs.

However, the literature unequivocally indicates that transformational leadership is a behavioural process which can be learned (Pounder, 2003:6-13, Brown and Posner, 2001:274-280; Kent, Crotts and Azziz, 2001:221-229; Barling, *et al.*, 2000:157-161; Kelloway and Barling, 2000:355; Kelloway, Barling and Helleur, 2000:145-149; De Coning, 1992:55; Bass, 1990b:19&31; Avolio and Bass, 1987:85; MacMillan, 1987:450-453; Bass, Waldman, Avolio and Bebb, 1987:73-78; Tichy and Devanna, 1986b:27).

The implication of the aforementioned is tantamount to the fact that SME entrepreneurs can learn the techniques and obtain the qualities they need to become transformational leaders. In other words, SME entrepreneurs can become transformational leaders who

inspire, energise and intellectually stimulate their employees.

Furthermore, Pounder (2003:6-13), Brown and Posner (2001:274-280) and Bass (1990:29) are all quite emphatic that transformational leadership can be learned and, equally, that it should be the subject of management training and development. For example, transformational leadership training has been instituted in industry and in academic-private sectors linkages by means of the *Full Range Leadership Development Programme* (Avolio and Bass, 2000) and the *Transformational Leadership Development Programme* at the State University of New York, Binghamton (SUNY, 2003).

The latter programmes are geared toward assisting participants to assimilate strategies, skills and behaviours to move towards a more optimal leadership profile. In particular, more than half the time of this thirteen-week programme is spent on the transformational leadership profiles of *idealised influence* (i.e. vision and charisma), *individualised consideration*, *intellectual stimulation* and *individualised consideration*.

### **1.11 A LOGICAL AND CONCEPTUAL MODEL FOR TRANSFORMATIONAL LEADERSHIP IN SMEs**

In order to present a conceptual framework for the implementation of strategic renewal in SMEs, a statistical model of transformational leadership requirements needs to be postulated.

For this purpose, the *analytical survey method* is required to interpret the quantitative data of the transformational leadership model. The statistical model in transformational

leadership is to be constructed on the profile as espoused in De Coning (1988).

The operational elements of transformational leadership (cf. Barnett, McCormick and Connors, 2001:26; Coad and Berry, 1998:166; Bass, 1990:21-22; Tichy and Devanna, 1997:27; Tichy and Ulrich, 1986:66) refer to leadership in a corporate environment where such an environment functions on a team basis. The problem of transformational leadership in SMEs is compounded since leadership in such enterprises is mostly executed by the entrepreneur, i.e. a single person who is often severely disadvantaged in terms of the required attitude, skills and knowledge.

Despite the "almost insurmountable barriers to the effective practising of transformational leadership in SMEs" (De Coning, 1992:3), a model of transformational leadership in South African SMEs can be developed which would enable one to test the leadership strengths and weaknesses in terms of the characteristics of a proposed model on transformational leadership. Structure is to be followed by strategy and for the implementation of transformational leadership strategies, primary data collection on current leadership practices in SMEs will have to be effected.

The purpose of the conceptual model is to initiate responses to the question: *to what extent do current profile elements of SME leaders ( $x_1, x_2, \dots, x_n$ ) overlap with strategic transformational leadership qualities ( $y_1, y_2, \dots, y_n$ )?*

The ultimate objective will be to draw conclusions and make recommendations regarding the development of critical profile elements in SME-owned operations.

The implementation of transformational leadership in enterprises will precipitate and induce long-term (strategic) behaviour in these organisations. These elements of strategic transformational behaviour in organisations are twofold: **Visible aspects** refer to strategies, objectives, policies and procedures, structure, technology, formal authority, and chains of command. **Hidden aspects** refer to attitudes and perceptions, group norms, informal interactions, interpersonal and intergroup conflicts.

The changes in organisational behaviour will be influenced by the *environmental filter* which is that set of factors (or forces) outside the enterprise which potentially affects the enterprise's performance. Since not all environments are the same, it is important for leaders to assess the degree of uncertainty and the impact of these factors on the organisation. The dimensions of the macro environment are: economic, technological, politico-legal, socio-cultural and international.

**Economic:** The economic element encompasses the system of producing, distributing and consuming wealth and represents the way in which resources are being utilised in the enterprise.

**Technological:** This dimension includes the current state of scientific and technological advancements in a specific industry and society at large and the technical skills and equipment that affect the way an enterprise's resources are converted to output.

**Politico-legal:** Decisions in organisations are continually affected by the course of politics. Government affects the business environment and business enterprise in a regulating capacity by promulgating and enforcing legislation and steering economic

policy in a specific direction. The legal element is the setting of basic rules on how business can operate in society. This refers to changes in the laws, limitations of choices and interpretations of laws which create opportunities.

Socio-cultural: This dimension represents the demographic characteristics as well as the norms, customs and values of the general population. Over time, a society's values, expectations, habits and ways of life do change.

International: The international element includes developments in countries outside an enterprise's home base which have the potential to influence the enterprise. Enterprises operating internationally find themselves in much more complex business environments because every country has its peculiar environmental factors.

The *outcome* of the application and implementation of aspects of transformational leadership manifests itself in two broad categories, namely **internal changes** and **external changes**. Internally the most visible outcome is reflected in a culture which is better fitted to the aims of the enterprise. People development presents opportunities for greater profitability and market share increases. **External changes** are reflected in definite returns, such as economic growth, heightened competitiveness, increases in standards of living, employment creation, image enhancement, technological development and investment opportunities. The outcomes of this model present a basis for developing an entrepreneurially strong economy.

The foundation of the proposed model is based on the environmental framework within which business operates and it consists of three sub-environments, namely the macro dimension, a market environment (consisting of suppliers, intermediaries, competitors), and the micro environment. Since the enterprise is a subsystem of the business environment, each of these sub-environments will influence the enterprise.

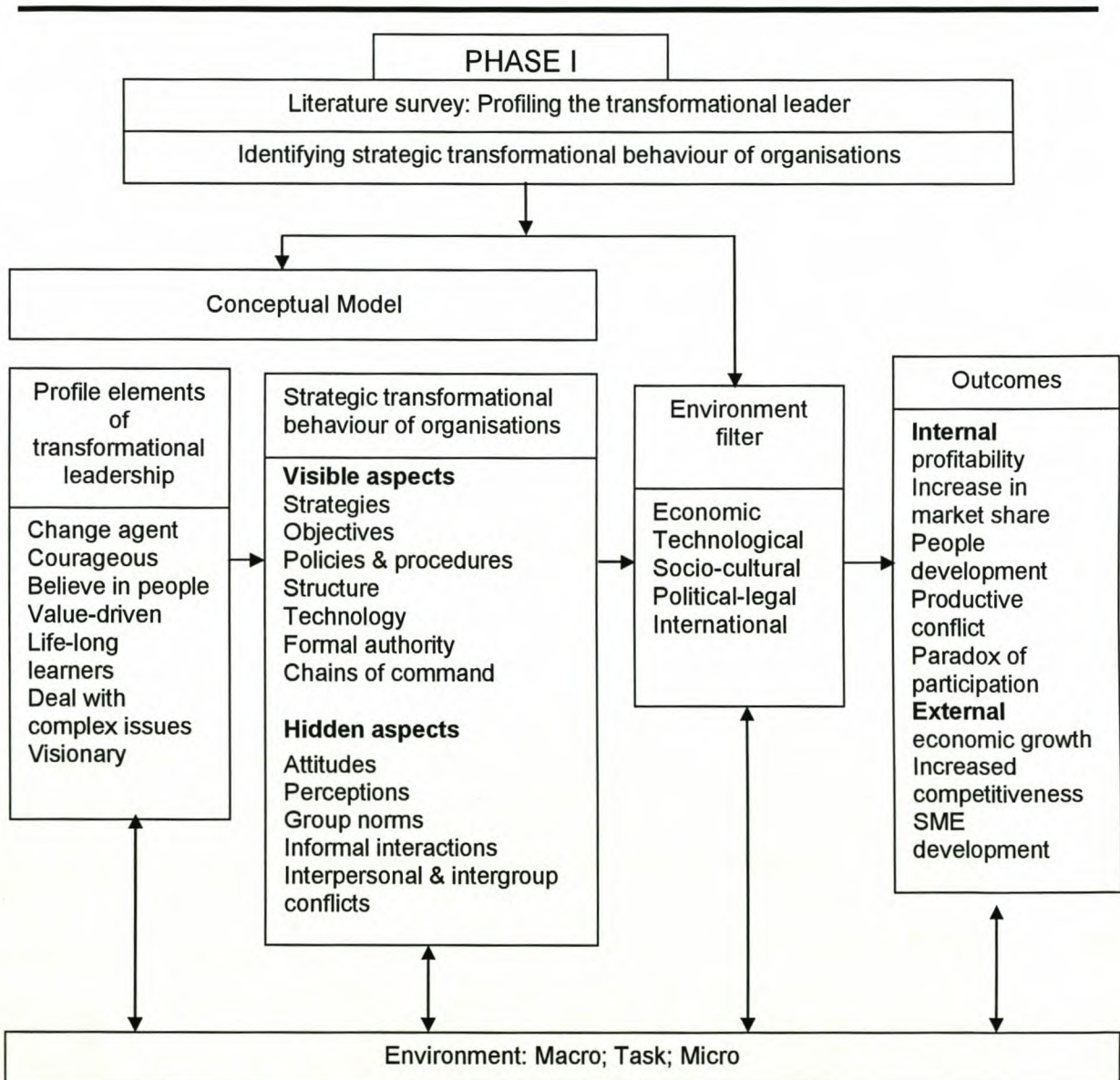
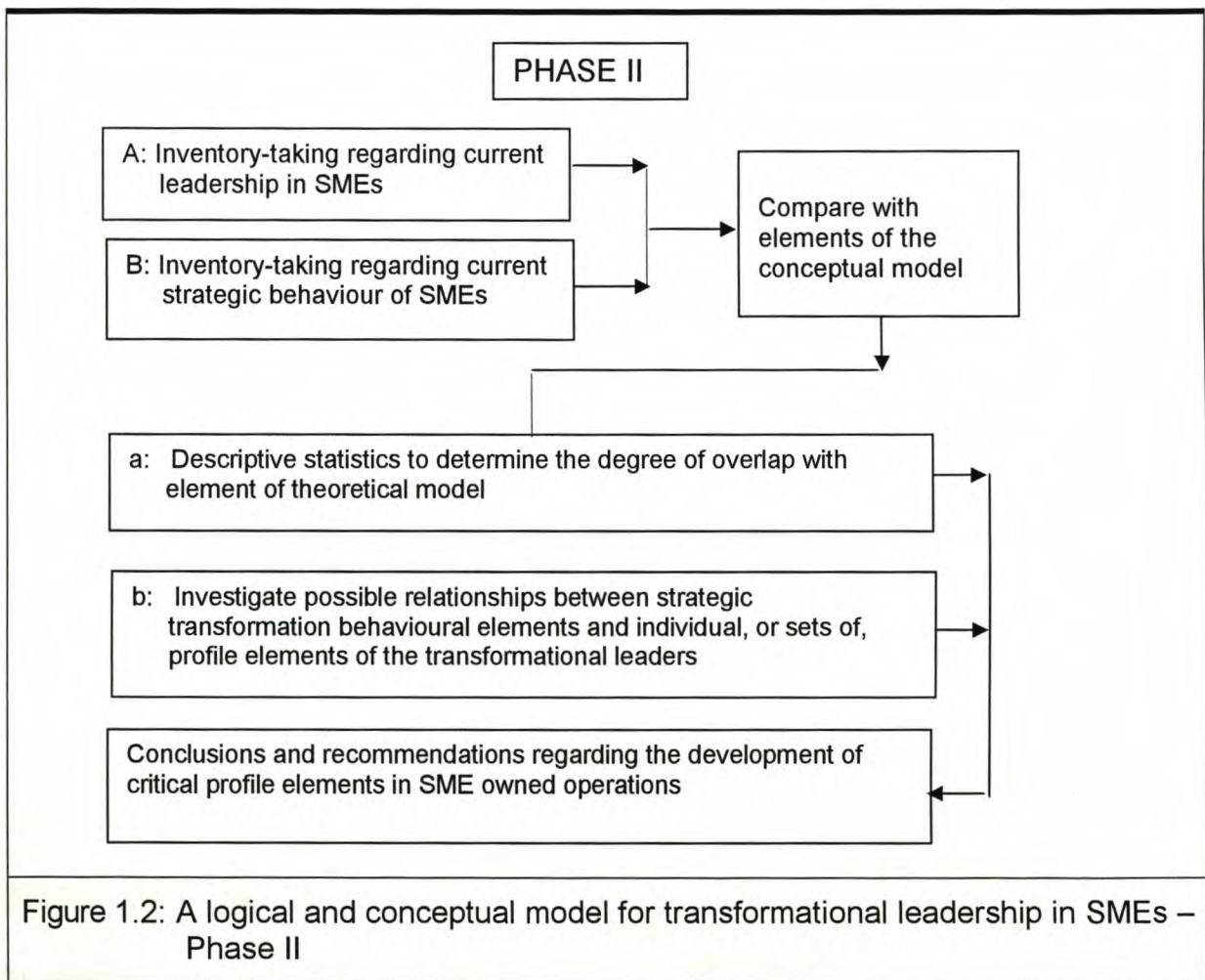


Figure 1.1: A logical and conceptual model for transformational leadership in SMEs – Phase I

After the completion of Phase I of the model on transformational leadership, the elements of Phase II (empirical study) need to be addressed. This phase incorporates two sections, namely a process of investigating and determining the current leadership practices in SMEs and the defining of current strategic behavioural patterns in these enterprises. The objective of this section of the study is to compare these elements, as found in SMEs, with the elements of the conceptual model, as described in Phase I.



This process requires a quantitative study (statistical analysis) to determine the degree of overlap between the available elements of transformational characteristics with those characteristics as implied in the model, with the view of determining the level (if any) of overlap between the theoretical model and practice.

In conclusion, the model of transformational leadership aims to present sets of profile elements for transformational leaders which, if applied, will lead SMEs through the process of strategic transformation (Figure 1.2).

## 1.12 SUMMARY

The world and business are changing at an ever-increasing rate. Lim (1997:283) and Cacioppe (1998:44) postulate that leadership is needed when these external transformations pressurise enterprises to adapt their strategies to manage uncertainty. In similar, yet earlier literature, Bass (1985) and Tichy and Devanna (1986b:32) conclude that the majority of the leadership core of enterprises in Westernised economies have yet to become aware of the need for change and revitalisation of their organisations, their vision and their leadership style. Therefore, the ability to change and innovate must come from within enterprises (Beaver and Price, 2002:37).

In the same way, South African enterprises, particularly SMEs with the potential of growth and development in both local markets and the international arena, are also in urgent need of such revitalisation. Years of (political and economical) isolation have lead to complacent and lethargic leadership styles (Driver, *et al.*, 2001:4-5; Reynolds, Camp, Bygrave, Autio and Hay, 2001:46-47).

Ignoring the powerful forces observed in international trends which indicate "the closing of frontiers" and the consequent limiting of opportunities are comparable to "ostrich style" leadership, which is the denial of recognition of changes in individuals, organisations and society.



An urgent rethinking and implementing of a dynamic style, such as through transformational leadership, is essential for the SME entrepreneur (Perren and Grant, 2001:16).

### **1.13 STRUCTURE OF THE STUDY**

This study is structured on the following chapters:

Chapter 1 incorporates the introduction and deliberation of the study, the statement of the research problem and its subproblems, the hypotheses, the scope of the study, definition of terms and demarcation of the field of study. It also addresses the assumptions on which the study is based as well as the relevance, or practical value, of the study to leaders of SMEs in the South African context. This chapter concludes with the research design and method and the structural explanation of the study.

In Chapter 2 the following topics are discussed: firstly, a comprehensive review of literature on leadership in an organisational context is undertaken, with the objective of identifying strengths, weaknesses and trends in current leadership writing which impacts on the strategic change processes in organisations. Particular attention is given to the current interest in transformational leadership. Secondly, these findings are filtered to identify those transformational leadership characteristics required in SMEs to affect continuous learning, innovation and change.

In Chapter 3, a broad development strategy for implementation of transformational leadership in SMEs is formulated. Such a development strategy is proposed to equip

SME leadership with systematic processes which consist of purposeful and organised searches for changes, analysis and the capacity to move resources from areas of lesser to greater productivity. The objective is to assess if transformational leadership can be implemented in small and medium-sized enterprises in South Africa. Should transformational leadership be able to be implemented and accommodated by leaders of SMEs it will lead to, *inter alia*, a vision, long-term strategies for survival and growth, opportunities for innovation and a unique selling proposition.

Chapter 4 is a discussion of the elements required in a strategy for renewal in SMEs. It commences with an assessment of a theoretical model on entrepreneurship with the purpose of putting forward the implementation of transformational behaviour in these enterprises. In this regard the leadership challenges for South African SMEs are assessed in order to highlight the need for a new approach to leadership in these enterprises. A theoretical framework and model for transformational leadership in SMEs is developed. The elements of this model are constructed from a thorough review of the literature and are based on the characteristics of transformational leadership and the characteristics of entrepreneurship. The chapter concludes with an identification of possible outcomes of a relationship between transformational leadership and entrepreneurship in the context of SMEs.

In Chapter 5, the process of developing a measuring instrument for transformational leadership and entrepreneurship in SMEs in a South African context is explained. The premise for the measuring instrument is developed on *a priori* theory (i.e. deductive reasoning) for both the constructs of transformational leadership and for entrepreneurship. In addition, this chapter explains the development of an item pool

from which the final questions for the questionnaire had been selected. This section is followed by the selection of the sample and the methods followed to mail the questionnaire and the procedures for its return. The chapter concludes with the explanation of statistical procedures that are followed as well as dealing with problems in analysing the data.

In Chapter 6, the data are analysed by means of various statistical processes. A set method of data analysis is followed which incorporates factor analysis, item and reliability analysis, item discrimination, followed by summary and recommendations of the items for inclusion and exclusion. The former procedure is then followed by the descriptive statistics after which the analysis of variance and regression analysis are completed. The chapter concludes with the selection of the factors of the two dimensions which will be used for interpretation and hypothesis testing.

A qualitative assessment of the data is done in Chapter 7. In this chapter, the data are analysed and interpreted to determine the relationship, or the lack thereof, between constructs that constitute transformational leadership and the constructs of entrepreneurship in SMEs in South Africa. In order to determine if a relationship between the dimensions of transformational leadership and entrepreneurship does exist, each of the constructs of transformational leadership will be analysed in terms of the constructs of entrepreneurship. This is followed by a discussion and interpretation of possible outcomes and relationships. On completion of the abovementioned procedures, the chapter concludes with the testing of the hypothesis.

Based on the discussion of the empirical data in Chapter 6 and the qualitative assessment thereof in Chapter 7, this chapter (Chapter 8) formulates a strategy for implementation in SMEs. In order to comply with the assumptions and subproblems as indicated in Chapter 1, those sections which have not been attended to in the study will be addressed. The purpose is to propose a model for the implementation of transformational leadership in SMEs which will address strategic renewal<sup>5</sup>. In addition, the issues of causality between transformational leadership and entrepreneurship are addressed. This chapter concludes with suggestions whereby transformational leadership can be put into practice.

A summary of the research is presented in Chapter 9 in a chapter-by-chapter format. The chapter contains conclusions drawn from the primary and secondary investigations and ends with certain recommendations for the implementation of transformational leadership practices in SMEs as well as recommendations for further research.

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<sup>5</sup> For a more detailed explanation of the terms "strategic renewal/strategic behaviour", see Chapter 4, par. 4.5.4 and Chapter 8, par. 8.2.

## CHAPTER 2: REVIEW OF LITERATURE ON LEADERSHIP

### 2.1 INTRODUCTION

“Any company can be excellent. It depends on leaders and managers.”

(Kim and Mauborgne, 2003b:6)

It has been recognised throughout history that the difference between success and failure in situations of business can be attributed largely to the kind of leadership practised (CEML, 2002:9-10; Daft, 1999:8; Horner, 1997:285). Leadership has become the major topic in management and business literature over the last few years and both leadership and management are regarded as key factors in driving the performance of organisations (Lussier, 2003:406; Cacioppe, 1998:44). Despite the difficulties of establishing its inner workings and specific dimensions, the intensity of the concern about leadership is to find new answers to old questions. For example, notwithstanding sustained academic scrutiny for more than a century (Richmon and Allison, 2003:32), certain fundamental questions still persist: can leadership be taught, how does one spot potential leaders; and, what precisely sets leaders apart from everyday managers?

The fundamental approach to leadership is an understanding of the relationship between a leader, a follower and a specific situation. Leadership theory has its base in several different perspectives (Horner, 1997:270-283) and it is for the above reasons that the following topics are discussed in Chapter 2.

The chapter begins with an overview of the leadership challenge in South Africa, particularly from a business perspective and it continues with a discussion on leadership definitions. Thereafter, a comprehensive review of the literature on theories of leadership in an organisational context is undertaken, with the objective of identifying strengths, weaknesses and trends in current leadership writing which impact on the strategic change processes in organisations. The chapter concludes with an evaluation on the need for a new theory of a leadership style for successful enterprises.

## **2.2 THE LEADERSHIP CHALLENGES IN SOUTH AFRICA**

In a period of rapid and fundamental change as South Africa has been experiencing since February 1990, societies inevitably find themselves in search of new leadership. Deficiencies and shortages of leadership are manifested in all spheres of the South African fabric. For example, the new democracy in South Africa calls for distinct leadership qualities and styles in domains and disciplines as diversified as education, housing, health care and general governance.

Equally, good leadership is also called for in the economy, the latter being the prime mover in generating the wealth required to sustain the transformation towards a just and equitable society. The complexities of rectifying the disparities between male and female management, and black and white management in South Africa are formidable, yet not insurmountable, as also postulated by Bhowan and MacDonald (2000:1-12) and Booysen (1999:1-17).

Yet, in their seminal work on leadership, Bennis and Nanus (1985:6-12) voice their concern that the leader/follower transaction has gone wrong and that leadership in society is plagued by three problems, which can be summarised as follows:

Firstly, society and organisations are becoming more complex in an era marked with rapid and spasmodic change. For example Bennis and Nanus (1985:8) state that "... there are too many ironies, polarities, dichotomies, dualities, ambivalences, paradoxes, confusions, contradictions, contraries, and messes for organisations to understand and deal with". Changes in society affect how leaders lead organisations, make traditional management techniques obsolete and seek new ways of communicating, take decisions, think and act. These changes have also been observed in a South African context in research by Denton and Vloeberghs (2003:85), O'Donnell (1998:1-14), Booysen and Beaty (1997:1-13) and Barker (1989:3).

Secondly, there is evidence of a declining work ethic in organisations. That is, the crisis facing leadership refers to a lack of employee commitment to work, usually manifested in terms of decreased productivity. This commitment gap appears to be a result of leaders who failed to instil vision, meaning and trust in their followers. In short, leaders have failed to empower their subordinates, thereby negating the most fundamental success requirement of enhancing organisational success, namely leadership (cf. O'Donnell, 1998:11; Booysen and Beaty, 1997:2-8).

The third major problem causing leadership confusion is the crisis of credibility. Increasingly the actions of leaders are being questioned by stakeholders, such as

shareholders, advocacy groups, government regulations, consumers and employee unions. All these constituencies call for acts of transparency and credibility. Opting for leadership (and assuming responsibility) negates privacy, which in turn, attracts more observation and more stakeholders (cf. Bhowan and MacDonald, 2000:4-5).

There are, however, additional forces and issues to consider in the search for leadership during times of rapid and fundamental economic change.<sup>6</sup> For example, environmental constraints, such as disinvestment, economic sanctions and a general exorcism from world markets, have left the South African economy with an inward-looking leadership corps. Secondly, this leadership corps is (almost) devoid of the most basic requirements of what constitutes dynamic leadership. The causal effect was one of a fast deteriorating economic base and "shallow" leadership practices, particularly amongst SMEs. Thirdly, poor economic performance has led to a general inability of generating sufficient income for sustained economic development. Fourthly, the demand for leadership exceeds supply in a disproportionate way. Fifthly, during conditions of (political) turmoil, leaders are hesitant to invest in human resources and capital equipment. Sixthly, bureaucracies are not only evident in government departments, but equally so in private sector business organisations. Finally, South Africa is experiencing a severe shortage of leaders since most efforts concentrated on the training of managers and not leaders (Differences between leaders and managers are dealt with in Chapter 3).

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<sup>6</sup> The section that follows is confirmed by a recent and contemporary journal article, viz. Denton, M., Vloeberghs, D. 2003. Leadership challenges for organisations in the New South Africa. *Leadership & Organization Development Journal*. 24(2):84-95.



The above complexity of forces, combined with those mentioned in the introductory paragraph of 2.2, intensifies the need for new leadership in our society as a whole and in the economy. The qualities for new South African leaders, as presented by Clewlow (1987:13-14), have also been restated in subsequent writings and research by Denton and Vloeberghs, 2003:86-90; Booysen and Beaty (1997:5-6) and Bhowan and MacDonald (2000:7-10). These qualities can be summarised as:

- leaders will require open minds to view matters as they are and not as the leaders would like them to be;
- leaders will have to develop a positive stance with regard to the future - this implies confronting the future with confidence;
- leaders of the future will need a broader vision than their predecessors - i.e. to see events in a broader (global) perspective;
- future leaders must have high moral standards to establish and command lasting respect; and,
- future leaders will lead by consent in a leadership style which incorporates subordinates on issues directly affecting them.

In order to focus on the term leadership, it is necessary to identify different conceptions of what constitutes a leader and (for the purposes of this dissertation) to identify an admissible definition of leadership.

### **2.3 LEADERSHIP DEFINITIONS**

In his seminal work on leadership Stogdill (1974:7-16) systematically analyses and reviews all the major and particular definitions of this "rather sophisticated concept". Richmon and Allison (2003:33), and Black and Porter (1999:402) point to Stogdill's acknowledgement that there are as many definitions of leadership as there are persons who have attempted to define the concept. In fact, Daft (1999:5) states that more than

350 definitions for "leadership" have been offered since the beginning of the twentieth century.

Stogdill proceeds to outline the origin of the term "leader" to the early fourteenth century and further indicates that the term "leadership" only emerged in the early nineteenth century. From Stogdill's literature review on leadership definitions (cf. Stogdill's Chapter 2) he concludes that sufficient similarities exist to allow for a broad classification scheme. In all, he discusses the spectrum of definitions under eleven extensive headings and comprehensively surveys all definitional material. In brief, he reviews leadership as:

- 1) a focus of group processes;
- 2) personality and its effects;
- 3) the art of inducing compliance;
- 4) the exercise of influence;
- 5) an act or behaviour;
- 6) a form of persuasion;
- 7) a power relation;
- 8) an instrument of goal achievement;
- 9) an effect of interaction;
- 10) a differentiated role; and,
- 11) the initiation of structure.

Stogdill (1974:16) concludes with a forceful argument that, despite the aspirations of those researchers (under review) to have provided some critical insight into the nature of leadership, they merely indicated "some slight progression of thought in their definitions".

In terms of a broad delineation, the scholarly research of the definitions of leadership can be divided into three categories: firstly, the earliest writers tend to identify the

concept of leadership as a focus of group process and movement; the definition of the second group of scholars considered leadership as "the art of inducing compliance"; and, the third group of definitions interpret leadership in terms of power differentials, role differentiation and initiation of structure (Horner, 1997:270-287).

As early as the third decade of the 20th century Pigors (Stogdill, 1974) defined leadership as "a process of mutual stimulation, which by successful interplay of relevant individual differences, controls human energy in pursuit of a common cause".

The significance of the group of theorists who supports the above definition lies in the role of leadership as an effect of group action. In brief, the literature survey presents inconclusive evidence of a generally acceptable definition on leadership and, in all probability, the best evidence for not attempting to resolve the controversy for one acceptable leadership definition is appropriately asserted by Yukl (2001a:5) who states that "... it is neither feasible nor desirable ... in the development of this discipline to attempt to resolve the controversy over the appropriate definition of leadership ... the purpose (is) to identify leaders, to train them, to discover what they do, to determine how they are selected, or to discover why they are effective. "

Yet, despite Yukl's caution (2001a:5), he concludes that "... leadership is broadly defined to include influence processes involving determination of the group's or organisation's objectives, motivating task behaviour in pursuit of these objectives, and influencing group maintenance and culture."

In summary, among the numerous writings and ideas on definitions of leadership (cf. Hughes, Ginnett and Curphy, 2002:9), three features symbolise the concept - these features are people, influence and goals. Leadership occurs between people, it involves the use of influence and it is used to attain goals (Yukl, 1989: 251-289).

In terms of expert views on the term "leadership", the most acceptable definition is by Bennis and Nanus (1985:20) who state that leadership is "... the act of providing direction, energizing others, and obtaining their voluntary commitment to the leader's vision".

## **2.4 THE HISTORICAL DEVELOPMENT OF LEADERSHIP THEORY**

As early as the times of Plato and Confucius attempts to comprehend and characterise leadership have been the interest of scholars, researchers and philosophers (Richmon and Allison, 2003:32; Bass, 1990:3-11), while the modern study of leadership covers more than a century through many publications (Daft, 1999:5). Yet, the real impetus of studying leadership in a systematic and scientific way, only occurred during and the years ensuing World War I (Yukl, 2001a:1; Barker, 1989:6).

The deduction made is that those leadership theories which had been developed during the twentieth century provide the most significant knowledge for the proliferation and development of current and future leadership theories. The bases of these theories developed mainly in industrial organisations and society. Despite the proliferation in leadership development and research (Cacioppe, 1998:44; Horner, 1997:270) Daft

(1999:5) quotes Bennis and Nanus' statement that leadership "is one of the most observed and least understood phenomena on earth".

Consequently (and concurring with the terms of reference and the delimitation of this dissertation), the literature review which follows does not attempt to be a comprehensive review, but the material reviewed does reflect a major consensus of views supported by extensive research. The chapter seeks to review that literature which is relevant to leadership effectiveness specifically.

#### **2.4.1 Trait theories**

The earliest research efforts to present a basis for understanding leadership success focus on the leader's personal characteristics, or traits. The underlying approach of the trait theories is contained in the premise that some persons possess "natural" skills as leaders; these skills are not necessarily endowed upon other persons.

These traits are the distinctive internal qualities of an individual (i.e. the leader), such as physical characteristics (e.g. height, weight, appearance and energy), personality characteristics (dominance, extroversion, originality), skills and abilities (e.g. intelligence, knowledge, technical competence), and social factors (e.g. interpersonal skills, sociability, socio-economic position) (Gomez-Mejia and Balkin, 2002:289).

The early research on traits focused on leaders who had achieved levels of greatness (e.g. Napoleon, Ghandi, Thatcher, Turner) with the objective of isolating attributes which

differentiated leaders from non-leaders. The description of those characteristics of important historical leaders resulted in what might be termed "Great Man" theories (cf. Black and Porter, 1999:413; Daft, 1999:65-69).

Given the basic premise of the trait theory to isolate those characteristics which made people great, it then sought to select future leaders who already exhibited the same traits, or who could be trained to develop these traits.

Research efforts to isolate specific leadership traits failed, because of the lack of consistency and unique personality traits which could be applied and duplicated on all leaders, irrespective who and what they lead.

Whilst Daft (1999:69) asserts that the search for leadership traits rendered work of interesting, yet insignificant scientific merit, Yukl (2001a:175) and Bartol and Martin (2000:411) present sound arguments that the trait approach might have been abandoned prematurely. For instance, Lord, De Vader and Alliger (1986:402-410) claim that several of the traits identified through the original trait research can be associated with individuals who are identified as leaders by others.

These traits are intelligence, dominance, aggressiveness and decisiveness/self-assurance. In a separate study these latter traits were also found to be strongly associated with successful leadership (Hughes, *et al.*, 2002:171). The personal and other characteristics, which received the greatest research support, are summarised in Table 2.1.

Table 2.1: Personal characteristics of leaders		
<b>Physical characteristics</b> Activity Energy	<b>Personality</b> Alertness Originality, creativity Personal integrity, ethical conduct Self-confidence	<b>Social characteristics</b> Ability to enlist co-operation Co-operativeness Popularity, prestige Sociability, interpersonal skills Social participation Tact, diplomacy
<b>Social background</b> Mobility	<b>Work-related characteristics</b> Achievement drive, desire to excel Drive for responsibility Responsibility in pursuit of objectives Task orientation	
<b>Intelligence and ability</b> Judgement, decisiveness Knowledge Fluency of speech		
<u>Source:</u> Bass, B.M. 1990. <i>Bass and Stogdill's Handbook of Leadership: Theory, Research, and Management Applications</i> . New York: Free Press. 78-88.		

By the late 1970s a more balanced view on the trait approach emerged. Although traits do not ensure leadership success, some of the characteristics are potentially useful. Five traits have been identified which distinguish effective leaders from non-leaders. These are: drive, leadership motivation, integrity, self-confidence, knowledge of the business (Bateman and Snell, 2002:385), as described in Table 2.2.

Table 2.2: Traits that differentiate leaders from non-leaders	
1.	<i>Drive:</i> Leaders exhibit a high effort level. They have a relatively high desire for achievement, they are ambitious, they have a lot of energy, they are tirelessly persistent in their activities, and they show initiative.
2.	<i>Leadership motivation:</i> Leaders have a strong desire to influence and lead others. They demonstrate the willingness to take responsibility.
3.	<i>Integrity:</i> Leaders build trusting relationships between themselves and followers by being truthful or non-deceitful and by showing high consistency between word and deed.
4.	<i>Self-confidence:</i> Followers look to leaders for an absence of self-doubt. Leaders, therefore, need to show self-confidence in order to convince followers of the rightness of goals and decisions.
5.	<i>Knowledge of the business:</i> Effective leaders have a high degree of knowledge about the company, industry, and technical matters. In-depth knowledge allows leaders to make well-informed decisions and to understand the implications of those decisions.
<u>Source:</u> Adapted from: Kirkpatrick, S.A., Locke, E.A. 1991. Leadership: Do Traits Matter? <i>Academy of Management Executive</i> . May:48-60.	

## **2.4.2 Theories on environmental influences**

Several early theorists of the twentieth century (1909-1941) proposed the view that leaders emerge as a result of certain circumstances, time and place. The premise for the environmental theories is based upon the proposition that the situation itself (for instance a crisis such as a war or a specific conflict situation) plays a principal role in determining both the qualities of the leaders, as well as whom the leader will be.

A further underlying belief of both the environmental and trait theories are that leaders are born, not made. This belief is inaccurate and contrary to the opinion that leaders can be developed (Williams, 2002:564).

## **2.4.3 Power-Influence Theory**

In all writings, research and ideas on leadership, there are three aspects which are central, namely people, influence and goals. Daft (2000:478) identifies this as the fact that leadership occurs between people, that it involves the use of influence and that leadership is used to attain goals. Leadership as a dynamic activity occurs between people and therefore involves the use of power.

The concept of power has been defined as the potential ability to influence the behaviour of others (cf. Griffin, 2000:301; Black and Porter, 1999:405).



The foundation of leadership is power and the latter represents the resources with which leaders effect the changes in the behaviour of their employees.

Much of the interpretation of power relies on the power taxonomy proposed in the seminal work by French and Raven, as espoused by Gomez-Mejia and Balkin (2002:287-289) and Hughes, *et al.* (2002:111-122). The following is a synopsis of power as a source of leader influence:

*Legitimate power* is power created and conveyed by the organisation and is vested in the person as a result of his or her position in the formal hierarchy. This form of power stems from the person's placement in the organisational hierarchy and the authority vested in that person. Legitimate power in organisations is usually verified and supported by means of organisational policy directives, written rules, job descriptions, contracts and plans. The compliance factor by subordinates is increased by their acceptance of the authority of their leader.

*Reward power* is derived from the leader's authority to grant and withhold various kinds of rewards. Typical rewards in organisations may include both formal rewards (such as salary increases and promotions) and informal rewards (such as praise, attention and recognition). The greater the importance and number of rewards the leader controls, the greater the influence over his/her subordinates.

*Coercive power* refers to a leader's authority to punish or recommend punishment. It is a method to force compliance through psychological, emotional and/or physical threat. In

organisations coercive power is practised through verbal reprimands, redundancies, fines, demotions, loss of privileges and excessive public criticism. The overtly application of coercion usually tends to increase hostility and resentment.

*Expert power* is based on the possession of knowledge and expertise differentials between the leader and the subordinate. This form of knowledge can be based in one, or a combination of specialised knowledge, technical skill and successfully completing challenging tasks.

*Referent power* refers to a form of power that results from being admired, personally identified with and liked by others. This type of power is based on personal identification, imitation and charisma. It originates from leader personality characteristics that command subordinates' identification, respect and admiration, which results in the wish to emulate the leader. Similarly, the success in developing and maintaining referent power depends upon interpersonal skills, such as charm, tact, diplomacy, empathy and humour (Yukl, 2001a:25).

Table 2.3 defines and summarises the five types of power proposed by French and Raven.

Table 2.3: French and Raven power taxonomy

Reward power	The target person complies in order to obtain rewards he or she believes are controlled by the agent
Coercive power	The target person complies in order to avoid punishments he or she believes are controlled by the agent
Legitimate power	The target person complies because he or she believes the agent has the right to make the request and the target person has the obligation to comply
Expert power	The target person complies because he or she believes that the agent has special knowledge about the best way to do something
Referent power	The target person complies because he or she admires or identifies with the agent and wants to gain the agent's approval

Source: Yukl, G.A. 2001. *Leadership in Organizations*. Englewood Cliffs, New Jersey: Prentice-Hall.

## 2.5 GENERAL APPROACHES TO LEADERSHIP THEORY

The growing dissatisfaction with trait theories in the 1940s was positive for leadership, since it resulted in the emergence of the behavioural theories of the 1950s. These theories focused on what a leader does and began the search for a best style of leadership. Researchers began to focus on specific behaviours which may make some leaders more effective than others, with the rationale being that these behaviours might be learned (providing that these behaviours are identifiable) and that those individuals with potential can become successful leaders.

In this section the three most popular studies on behavioural theories will be discussed. These are the studies done at Iowa University, Michigan University and the Ohio State University.

### 2.5.1 Styles of leadership

The earliest attempt at scientifically identifying those leader behaviours which are most effective was done by Lewin and his colleagues at the Iowa State University (Daft, 1999:69). These researchers at the Iowa State University concentrated on the three leadership styles, namely autocratic, democratic and laissez faire.

*Autocratic* leaders tend to centralise authority, make unilateral decisions, dictate work methods and rely on legitimate, reward and coercive power to lead subordinates. In contrast, *democratic* leaders delegate authority to subordinates, involve the group in decision-making, encourage participation, make overall goals known, and rely on expert and referent power to lead subordinates. *Laissez faire* refers to the behavioural style of leaders who generally grant the group complete freedom with virtually no interference.

In their experiments to determine the most effective leadership style, the laissez faire leaders consistently underperformed against autocratic and democratic leaders. Lewin and his associates concluded that the democratic style of leadership proved the best results in terms of the quantity and quality of work and in generating satisfied workers, thereby creating the idea that the key to effective leadership had been found.

However, later research proved that a democratic leadership style did not always supersede an autocratic style as the best method, because not all situations called for leader behaviour of a democratic nature (cf. Gomez-Mejia and Balkin, 2002:290; Bartol and Martin, 2000:412).

The discourse on the most effective leadership style between autocratic and democratic behaviour provided Tannenbaum and Schmidt the opportunity to introduce a bipolar model in which it was indicated that leadership could be presented as a continuum reflecting different leadership behaviour gradations and amounts of subordinate participation (Daft, 1999:71). The leadership continuum is illustrated in Table 2.4.

The one end of the continuum presents autocratic leader behaviour ("boss-centred leadership"), described as directive, exerting high levels of control and not allowing participatory decision-making.

The other end of the continuum represents democratic leader behaviour, exerted with a low degree of control, but actively stimulating the group, allowing for participatory decision-making and providing guidance and direction. According to Tannenbaum and Schmidt (Daft, 1999:71), leaders in deciding which leader behaviour pattern to adopt, need to consider forces within themselves, within subordinates and within the situation. Viewed differently, these researchers postulated that organisational circumstances and situational factors impose the leadership style applied under different conditions (Bateman and Snell, 2002:388; Daft, 1999:71).

Table 2.4: Continuum of leadership behaviour

Autocratic							Participative
Use of authority by the leader				Area of freedom for subordinates			
1. Leader makes decision and announces it to employees without discussion.	2. Leader makes a decision and sells it to employees	3. Leader presents ideas and invites employee questions	4. Leader presents tentative decision subject to change	5. Leader presents problem, gets suggestions, and makes decision	6. Leader defines limits and asks employees to make a decision	7. Leader permits employees to make ongoing decisions within defined limits	

Source: Tannenbaum, R., Schmidt, W.H. 1973. How to Choose a Leadership Pattern. *Harvard Business Review*. May-June. 51(3):164.

## 2.5.2 Michigan Leadership Studies

The objectives of the Michigan Leadership Studies were to locate those behavioural characteristics of leaders that were related to performance effectiveness. Researchers identified two critical leadership behaviours, which they termed *job-centred behaviour* and *employee-centred behaviour*. The latter-mentioned concept focuses on task completion, i.e. these leaders divide work into tasks and closely supervise workers to ensure the precise execution of prescribed methods. Leaders who focus on employee-centred behaviour (i.e. initiating structure) build effective work groups dedicated to high performance goals.

The Michigan researchers viewed leadership behaviour two-dimensionally. For example, they were of the opinion that the more job-centred a leader becomes, the less employee-centred the leader will be. In other words, they regarded the one form of leadership as trade-off against the other in this two-dimensional approach. Yet, they hypothesised that employee-centred leaders were more effective leaders than job-centred leaders, merely because their subordinates perform at higher levels and will also be more satisfied.

However, the rigid application of the Michigan Studies raised considerable criticism. For example, numerous situations have been identified in which output varied, with the employee-centred approach sometimes resulting in low output and the job-centred approach sometimes resulting in high output (cf. Bateman and Snell, 2002:388; Daft, 1999:74-75).

### **2.5.3 Ohio State University Leadership Studies**

From the original of more than one thousand dimensions of leader behaviour, the Iowa State researchers eventually narrowed the list to two categories which accounted for most of leadership behaviour (Lussier, 2003:410). These are: *initiating structure behaviour* and *consideration behaviour*.

*Consideration* describes the type of leader behaviour that displays sensitivity to subordinates; it respects their ideas and feelings and establishes mutual trust.

Considerate leaders provide open communication, are friendly, develop teamwork and are interested in their subordinates' welfare.

*Initiating structure* is the type of behaviour of leaders defining and structuring their roles and those of subordinates in the search of goal attainment. Typical leaders of this style give instructions, emphasise deadlines and provide explicit structures for work schedules.

*Consideration* and *initiating structure* are independent of each other with the implication that if a leader has a high degree of consideration, this leader may either have a high or low degree of initiating structure.

The Ohio State research concluded that the combination of high consideration and high initiating structure style achieved better performance and greater satisfaction than other leadership styles. For example, leaders scoring high on both initiating structure and consideration, appear to have a more cohesive and productive group of supporters (Hughes, *et al.*, 2002:210).

## **2.6 SITUATIONAL LEADERSHIP THEORIES (CONTINGENCY APPROACHES)**

The theories of situational leadership are often called contingency theories of leadership, since they postulate that leader traits are dependent on relevant situational characteristics.



The basic premise of the theories classified as a situational (contingent) approach is that different sets of behaviours are being required under different situations. Since there are many situational factors which could influence leader effectiveness, several approaches have evolved. Among the most prominent of these are Fiedler's Contingency Theory, Hersey and Blanchard's life-cycle theory, Kerr and Jermier's theory on leadership substitutes, Vroom and Yetton's normative model and House and Evans' path-goal model. This section is then followed by the universal theories on effective leader behaviour; in particular McGregor's Theory X and Y; Argyris' Theory on Maturity and Immaturity and Likert's Four Systems of Leadership are reviewed.

### **2.6.1 Contingency theory (Fiedler)**

Fiedler's contingency model describes how the situation moderates the relationship between leader traits and leader effectiveness. This model of leadership, called the *Least Preferred Co-worker* (LPC) consists of two elements, namely task-oriented and relationship-oriented styles. The name of the model is derived from a questionnaire completed on the employee the respondent has least preferred to work with (Hughes, *et al.*, 2002:368-371).

The LPC model seeks appropriate leadership as a function of the favourableness of the situation. Favourableness is defined by three elements namely leader-member relations (e.g. the extent to which the leader has the support and loyalty of subordinates and the extent to which these relations are friendly and co-operative); position power (e.g. the extent to which the leader has authority to evaluate subordinate performance and

administer rewards and punishment) and, task structure (e.g. the degree to which the task of the group is well-defined and understood by everyone).

Using these dimensions, eight unique situations (or classification schemes) can be defined which illustrate how leadership styles combine with the situation to determine group effectiveness. Fiedler's contingency model is outlined in Figure 2.1.

In the above Figure, Cell 1 through 8 is a continuum with Cell 1 being the most favourable leadership situation, and Cell 8 being the least favourable leadership situation. With Cell 1 as example, the relationship in this situation between the leader and followers is good and the conditions are characterised by mutual trust, respect and friendliness.

The task is structured, which implies that the goals are known, the elements are defined and the goal completion is probable. The leader is powerful with formal power over subordinates. In this situation, a task-oriented leadership style is recommended.

Cell	Situation			Leadership style
	Relationship	Task	Power	
1	Good	Structured	Strong	Task
2	Good	Structured	Weak	Task
3	Good	Unstructured	Strong	Task
4	Good	Unstructured	Weak	Relationship
5	Poor	Structured	Strong	Relationship
6	Poor	Structured	Weak	No data
7	Poor	Unstructured	Strong	Task
8	Poor	Unstructured	Weak	Task

Source: Adapted from Fiedler, F.E. 1972. The Effects of Leadership Training and Experience: A Contingency Model Interpretation. *Administrative Science Quarterly*. 17(4):455.

Figure 2.1: Fiedler's Contingency Model

At the other end of the continuum, Cell 8 represents an unfavourable situation where the relationship is poor, the task unstructured with a poor (weak) base for the leader. In this situation, a task-oriented leadership is prescribed. However, under conditions where the elements in the situation are moderate, a relationship leadership style is recommended (Barker, 1989:15-17).

### **2.6.2 Life-cycle theory (Hersey and Blanchard)**

Originally known as the life-cycle theory, Hersey and Blanchard renamed their theory the situational leadership theory. Their theory is an extension of the two-dimensional theories, with the major difference being that subordinates vary in maturity levels. For example, subordinates who are low in maturity, because of minimal ability, little training, or a high degree of insecurity, need a different leadership style to those who are mature and have good ability, skills, confidence and willingness to work (Daft, 1999:99-102).

The situational leadership theory uses the same two leadership dimensions as the Fiedler Model, namely task and relationship behaviours. The relationship between these two behaviours is summarised in Table 2.5. However, Hersey and Blanchard take their model one step further by considering each of these combinations as either a high or a low and then dividing them into four specific leadership styles of: telling, selling, participating and delegating.

The upper part of the Table indicates the style of the leader as combinations of relationship behaviour and task behaviour. The curve takes the format of a bell-shape and is generally referred to as a prescriptive curve, since it indicates where each leader style should be used.

The four styles, telling (S1), selling (S2), participating (S3) and delegating (S4) depend on the maturity demonstrated by the followers, as indicated in the lower part of the table. R1 presents low maturity and R4 is for high maturity. The telling style is for low-maturity employees who are unable to and unwilling to take responsibility for their own task behaviour. The selling and participating styles work for followers with moderate maturity and the delegating style is appropriate for employees with high maturity.

Table 2.5: The Situational Leadership Model					
Relationship Behaviour	S3. Share ideas and facilitate in decision-making			S2. Explain decisions and provide opportunity for clarification	
	S4. Turn over responsibility for decisions and implementation			S1. Provide specific instructions and closely supervise performance	
	Low		Task Behaviour		High
	Follower Readiness				
	High		Moderate		Low
	R4	R3	R2	R1	
Able and willing or confident	Able but unwilling or insecure	Unable but willing or confident	Unable and unwilling or insecure		
<p><b>Source:</b> Hersey, P., Blanchard, K.H., Johnson, D.E. 2001. <i>Management of Organizational Behavior: Leading Human Resources</i>. Englewood Cliffs, New Jersey: Prentice-Hall.</p>					

### 2.6.3 Leadership substitutes (Kerr and Jermier)

Although in the strictest sense it is not a leadership theory, Kerr and Jermier raise significant issues, namely that in some circumstances, there can be substitutes for leadership (Black and Porter, 1999:428). Furthermore, some critics are of the opinion that the importance of leadership is highly overrated and that it is an unnecessary activity in certain instances. Viewed differently, it is argued that in many contexts, leadership makes little or no difference (Yukl, 1989: 251-289) and that at times it is even irrelevant (Griffin, 2000:314).

The approach of substitutes for leadership seeks to specify aspects of the situation that reduce the importance of leadership by making it unnecessary or even impossible. In a model developed by Kerr and Jermier in 1978 (Hughes, *et al.*, 2002:339) they identify **neutralisers** as situational factors that make it impossible for leader behaviour to have an impact on the performance and/or satisfaction of subordinates. For example, if a leader has no position of power, or is physically removed from subordinates, such conditions render leadership behaviour meaningless.

**Substitutes** are situational factors that make leadership behaviour unnecessary and impossible. Examples of such substitutes are tasks which are inherently unambiguous and routine; similarly, tasks that are intrinsically satisfying may place fewer demands on the leadership variable. Even formalised goals, procedures and rigid rules cancel the need for formal leadership.

#### **2.6.4 Normative Model/Leader-Participation Model (Vroom and Yetton)**

The leader-participation model, as expounded by Vroom and Yetton, provides a set of rules which determines the form and amount of participative decision-making in different situations. This situational model is similar to Tannenbaum and Schmidt's continuum of leadership behaviour (Bateman and Snell, 2002:391-393).

This model isolates five styles of leadership that represent a continuum from authoritarian to consultative to participative approaches. Leaders proceed through a series of questions and, depending on the nature of the problem, will then select a leadership style, or a combination, to best solve the problem in what Vroom and Yetton term a "feasible set of alternatives" (Hughes, *et al.*, 2002:358-360; Horner, 1997:271)

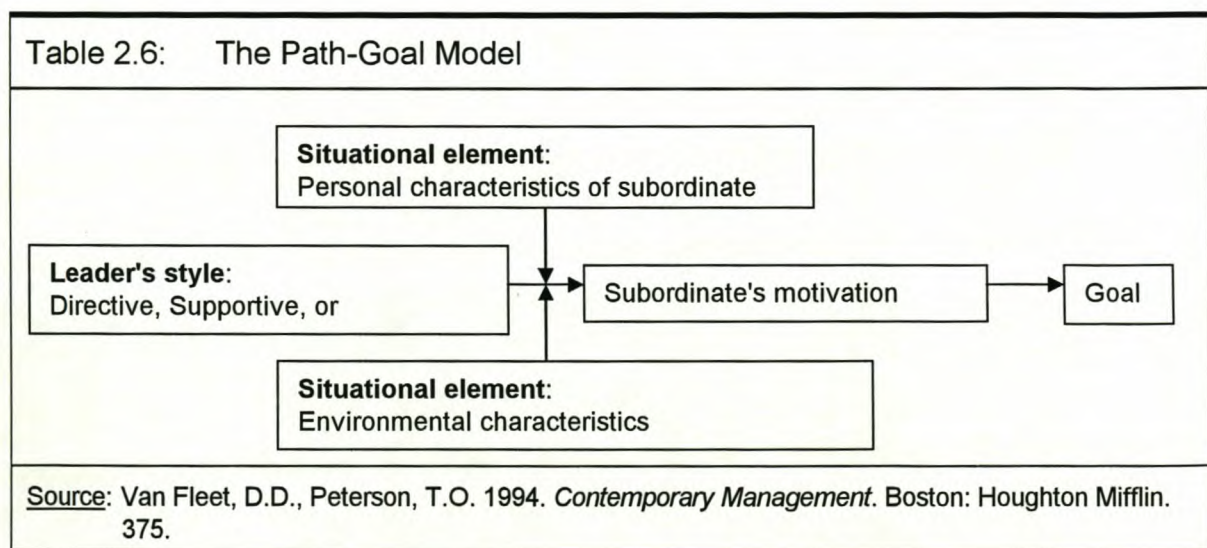
#### **2.6.5 Path-goal approach to leadership (House)**

According to the path-goal theory, as hypothesised by House in 1971, the leader's responsibility is to increase the subordinates' motivation to attain personal and organisational goals. In this regard, the theory relies on the expectancy theory of motivation. Viewed differently, the leader increases motivation by clarifying the subordinates' path to the rewards that are available or by increasing the rewards that they value and desire. This model consists of three sets of contingencies, namely leader behaviour, situational sets of contingencies and the use of rewards.

The leadership styles in this model include the styles of directive, supportive and participative. The situational elements are two sets of contingencies (personal characteristics, i.e. own ability, desire to participate, willingness to accept direction and environmental characteristics, i.e. the task structure, nature of the group, system's authority) which come in between the leader's behaviour and the subordinate's motivation, as shown in Table 2.6.

The goal is achieved through the leader assessing the relevant dimensions and choosing a set of dimensions behaviours that will complement that situation (Cook and Hunsaker, 2001:504-505).

The table highlights the complexity in choosing a leadership style and it emphasises the importance of followers to a leader in choosing an appropriate style. Hellriegel, *et al.* (2001:294) conclude that leaders are competent in recognising the requirements of the situation and the needs of their followers and then adjusting their own behaviour, or the situation, accordingly.



## 2.6.6 Comparing the contingency models

In terms of the above contingency models, leaders need to be able to direct and motivate others in order to achieve both high levels of productivity and greater job satisfaction. Each of these models presents a somewhat different approach to selecting an effective leadership style, as illustrated in Table 2.7.

	<b>Hersey &amp; Fiedler's Contingency Model</b>	<b>Blanchard's Situational Model</b>	<b>House's Path-Goal Model</b>	<b>Leader-Participation Model</b>
Key situational variables	Task structure Leader-member relations Leader position power	Level of follower's readiness	Task characteristics Employee characteristics	Eight diagnostic questions concerning time, quality and acceptance
Leadership styles	Task-orientated Relationship orientated	Telling Selling Participating Delegating	Achievement Directive Participative Supportive	Autocratic I & II Consultative I & II Group II
Implications	Leader's style matched to situation or situation is changed to fit leader's style High or low control situations favour task-oriented leader Moderate control situations favour relationship-oriented leader	Effective leaders choose a style to match the maturity level of their followers	If tasks are routine and simple, supportive or participative leadership is best for team members who want their social needs satisfied If tasks are non-routine and complex, directive or achievement-oriented leadership is best for team members who want to self-actualize on the job	Effective leaders analyze the situation by answering the eight contingency questions, then choose among five styles, depending on the answers
Source: Hellriegel, D., Jackson, S.E., Slocum, D.W., Staude, G. 2001. <i>Management</i> . Cape Town: Oxford University.				



## **2.7 UNIVERSAL THEORIES ON EFFECTIVE LEADER BEHAVIOUR**

The concept of "universal theories of effective behaviour" (Yukl, 2001a) originated from the extensive research on supportive, task-orientated and participative leadership during the 1950s and 1960s. These theories, also known as "humanistic theories" (Bass, 1990:43-44) hypothesise that the same leadership style can be optimally applied in all situations. The theories of Blake and Mouton, McGregor, Argyris and Likert are all concerned with the development of effective and cohesive organisations. In this respect the function of leadership is to change the organisation (which by nature is structured and controlled) to provide freedom to the individual to realise his/her own potential within the acceptable boundaries of the group; yet, at the same time these individuals are contributing towards the goals of the organisation (Stogdill, 1974:21-22).

### **2.7.1 McGregor's Theory X and Theory Y**

McGregor presented his two-factor leadership theory in 1960 in which the premise for his model contends that assumptions and beliefs about individuals often influence a leader's behaviour (Cook and Hunsaker, 2001:206-207).

McGregor identified two contrasting sets of assumptions leaders have about their subordinates. Theory X, based on the assumption that all people are passive and resistant to change and organisational needs, attempts to direct and motivate people to fit these needs. Leaders who follow this model use a directive leadership style.

Theory Y is based on the assumption that people are motivated and responsible and that organisational conditions be adapted to make it possible for the individual to fulfil these organisational objectives.

Such leaders allow for a participative leadership style. Since this model affords subordinates opportunities of getting involved in decision-making, it is preferred by subordinates (Griffin, 2000:14).

### 2.7.2 Argyris' Theory on Maturity-Immaturity

Argyris perceives a fundamental situation of conflict between the individual and the organisation. Organisations, by their very nature, structure and control the role of their members. Yet, the nature of individuals is that of being self-directive, innovative and taking responsibility. According to Argyris, individuals in organisations develop from immature to mature workers along seven basic dimensions, as outlined in Table 2.8.

Table 2.8: Argyris' Maturity-Immaturity Model	
<i>Immature Characteristics</i>	<i>Mature Characteristics</i>
Passive	→ Active
Dependent	→ Independent
Few Behaviours	→ Many Behaviours
Shallow Interests	→ Deep Interests
Short-term Perspective	→ Long-term Perspective
Subordinate Position	→ Superordinate Position
Little Self-Awareness	→ More Self-Awareness and Control

Source: Adapted from Yukl, G.A. 2001. *Leadership in Organizations*. Englewood Cliffs, New Jersey: Prentice-Hall.

Argyris postulates that as people gain experience and self-confidence in their place of work, they tend to move from the immature to the mature end of the model; i.e. they move from passive to active, from having short-term perspectives to long-term perspectives. Therefore, organisations will be most effective when their leadership provides situations for creativity and self-expression (Stogdill, 1974:22).

### **2.7.3 Likert's Four Systems of Leadership**

Likert's theory (1967) describes the four patterns of leadership as that of being exploitative authoritative, benevolent authoritative, consultative and participative. Likert regards the participative style as the most effective, since it leads to greater productivity. In addition, it simultaneously generates good working relationships between leaders and subordinates (Barker, 1989:11-12).

### **2.7.4 Blake and Mouton's Leadership Grid**

As the most prominent universal theory the leadership grid, conceptualised by Blake and Mouton in 1964, postulates that effective leaders are both supportive and task-oriented. Their theory describes leaders in terms of concern for people and concern for production. Leaders may be high or low on both axes, or they may be high on one axis and low on the other. Leaders rated high on both axes, develop followers who are committed to work accomplishment and who develop relationships of trust and respect (Lussier, 2003:411-412; Bass, 1990:43-44; Stogdill, 1974:22).

## **2.8 A CRITIQUE OF THE THEORIES ON LEADERSHIP**

### **2.8.1 Trait theories**

Trait theories, singularly, are not sufficient to explain leadership, because the differences in the situation during which decisions have to be made, are being ignored. Furthermore, it is important to note that the same traits do not apply to every organisation and that the appropriateness of each trait, or group of traits, is dependent upon the leadership situation.

Evidence from literature implies that trait theories are flawed because they focus almost exclusively on physical attributes and personal characteristics. Whilst physical characteristics might be useful in the performance of manual-related activities, personality traits may be required in other situations. Furthermore, the numerous studies which were conducted on leadership traits not only lead to inconsistent results, but also gave rise to long lists of additional traits which were of little practical value (Moorhead and Griffin, 1994).

Whereas earlier research on traits failed to correlate in a strong and consistent manner with leadership effectiveness (Stogdill, 1974:35-65), recent studies found that some personality traits are relevant for leader effectiveness. These include: self-confidence, emotional stability, high energy levels, initiative, stress tolerance and lack of defensiveness (Yukl, 2001b:202; Kirkpatrick and Locke, 1991:48-60). Yet, possessing these traits is no guarantee of good leadership, because they ignore situational factors

(Robbins, 2000:445-447) and the followers' needs (Hellriegel, *et al.*, 2001:286).

### **2.8.2 Environmental theories**

The major critique of the environmental theories is based on their shortcomings of not providing the capacity to predict a leader's abilities, other than the situation itself and in their inability to contribute to the development of future leaders (Hughes, *et al.*, 2002:349-351; Barker, 1989:8, Stogdill, 1974:18). More criticism by Richmon and Allison (2000:37) is aimed at the fact that the environmental theories focus on single elements of the leadership phenomenon.

A further underlying belief of the environmental theories is that leaders are born, not made. This concept is out of tune with the basic values of people in today's society, nor is it accurate. Although not an easy task, leaders are, and can be developed.

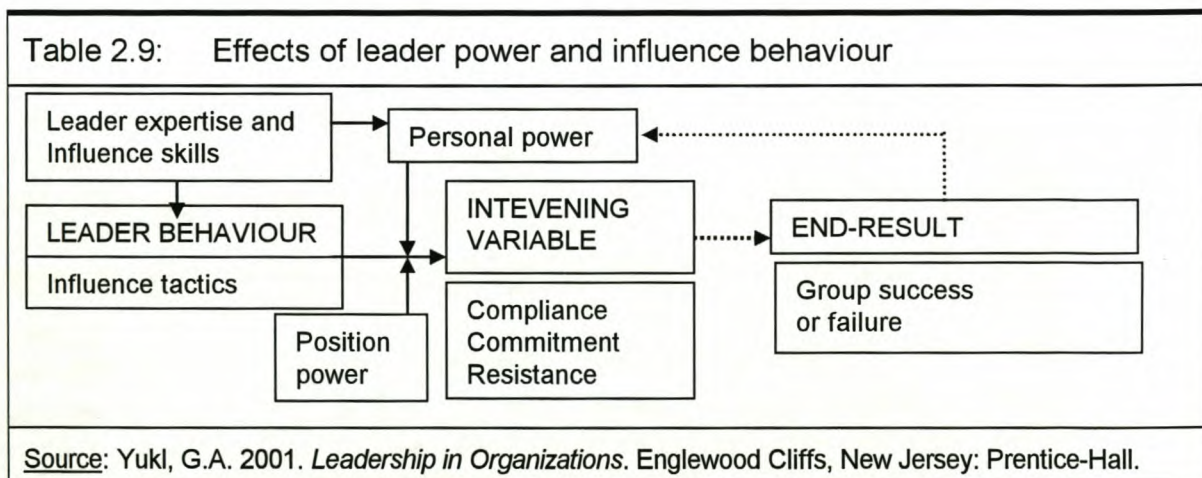
### **2.8.3 Power-influence**

Most of the research, which investigated the consequences of the different types of power (as proposed in the power taxonomy by French and Raven) were primarily concerned with leader power over subordinates. For example, in the research literature it was found that lateral and upward power (i.e. reciprocal power as two critical issues in contemporary leadership debates) have been disregarded. All types of power have the potential means of influencing others. Yet, in the actual application thereof, they may elicit different levels of subordinate motivation (Hughes, *et al.*, 2002:121).

In their findings the researchers identified that the criterion of successful power usage in most studies was some measure of subordinate satisfaction or performance (Yukl, 2001a:34-35). Similarly, other studies (cf. Hughes, *et al.*, 2002:121-122) identified the shortcomings of the power-influence theory as underestimating the consequences of power in terms of the (immediate) outcomes, such as changes in the attitudes and behaviour of subordinates.

However, literature supports the precept that "the manner in which a leader exercises power largely determines whether it results in enthusiastic commitment, passive compliance, or stubborn resistance" (Yukl, 2001b:270; Bartol and Martin, 2000).

Similarly, a leader's effectiveness in influencing people is not solely reliant on power types, but forms an integral element of a leader's influence behaviour and skill. The joint effect of these three factors, i.e. leader power, influence behaviour and skill, is reflected in Table 2.9.



In summary, whereas the power-influence hypothesis attempts to define the motives and stimuli of leader influence, it is essential that other theories be assessed in order to explore the nature of the influence attempts themselves.

### 2.8.4 General leadership approaches

The basic differences between the findings of the Michigan and Ohio State University are shown in Table 2.10. The Michigan studies concluded that leaders could only exhibit job-centred behaviour or employee-centred behaviour, but not both. The Ohio researchers stated the interdependence of the behaviour of initiating structure and consideration behaviour; hence the notion that a leader can use both behaviours simultaneously.

Michigan Studies		Ohio State Studies	
Job-centred Leader Behaviour	Employee- centred Leader Behaviour	High	
		Initiating Structure Behaviour	
		Low	
			Low    Consideration Behaviour    High

The behaviour taxonomies reviewed above have deficiencies which limit their utility for developing theories of leadership behaviour (Yukl, 2001a:128). As research in leadership behaviour continued, more categories of leader behaviour were identified

(Cook and Hunsaker, 2001:495-496). However, the integrating taxonomy of Yukl (2001a:128-145), which appears to be both defensible in terms of research and useful to practising managers, is shown in Table 2.11.

Since the Ohio State research has shown that there is no one best set of leader behaviours, Yukl suggests that the previously identified two categories of leader behaviour be extended to four. In this respect, Yukl's taxonomy builds on the strengths of the previous behaviour models, yet at the same time avoiding many of their weaknesses. The four categories consist of building relationships, influencing people, making decisions, giving-seeking information. In turn, each of these categories consists of further refinements.

The conclusion is that leaders need a variety of skills that depend on the situation. It is clear from this research that no single-type of leadership fits all situations (Daft, 1999:80).

Since it is generally accepted that a one-best leadership style for all occasions is inappropriate (Bartol and Martin, 2000), researchers have shifted their efforts to developing models of contingency (situational) approaches to leadership (Hellriegel, *et al.*, 2001:290).



Table 2.11: Yukl's integrating taxonomy of leader behaviour

<p><b>Giving-Seeking Information</b></p> <ul style="list-style-type: none"> <li>• Monitoring</li> <li>• Clarifying</li> <li>• Informing</li> </ul>	<p><b>Making Decisions</b></p> <ul style="list-style-type: none"> <li>• Problems-solving</li> <li>• Planning &amp; Organising</li> <li>• Consulting &amp; Delegating</li> </ul>
<p><b>Building Relationships</b></p> <ul style="list-style-type: none"> <li>• Managing Conflict &amp; Team Building</li> <li>• Networking</li> <li>• Supporting</li> </ul>	<p><b>Influencing People</b></p> <ul style="list-style-type: none"> <li>• Motivating</li> <li>• Recognising &amp; Rewarding</li> </ul>

Source: Yukl, G.A. 2001. *Leadership in Organizations*. Englewood Cliffs, New Jersey: Prentice-Hall.

### 2.8.5 Contingency theory

On average, the Fiedler model has received good support for its usefulness for managers. However, the model has also drawn significant criticism, ranging from the assumptions about the flexibility of leadership styles, lack of defining the situation and questionnaire development (cf. Robbins, 1999:458; Yukl, 1989:197-198).

Even though Fiedler's model remains controversial, its best contribution lies in its redirection of leadership research, rather than providing conclusive and firm answers. The contingency model highlighted that leadership effectiveness depends more on situational variables than on leadership style.

### 2.8.6 The life-cycle theory

Although this contingency model is easier to understand than the Fiedler model, it only

incorporates the characteristics of the followers and not those of the situation (Gomez-Mejia and Balkin, 2002:294). In addition, sufficient evidence to support the situational leadership theory has not been forthcoming (cf. Hellriegel, *et al.*, 2001:292).

Hersey and Blanchard's Situational Leadership Model has generated substantial interest. The idea of a flexible leadership style appeals to many leaders. In essence, as leaders assist followers in evolving, so too his/her leadership style needs to evolve.

### **2.8.7 The leadership substitutes theory**

Kerr and Jermier's model is relatively new and few studies have been conducted to critically assess the recommendations on specific neutralisers and substitutes; yet, Yukl (2001a:111-112) has identified three conceptual weaknesses in the model.

These are firstly, the failure of the theory to provide detailed rationale for each substitute and variable; secondly, its too narrow focus on leadership and consequently negates important other variables, such as environmental changes, crises within the organisation, lack of co-operation between subordinates and supervisors, and thirdly, a too broadly-defined theoretical base which requires more specifically identified behaviours, such as work assignment, role clarification and specification of procedures.

### **2.8.8 Leader participation**

Since the leader-participation model (Vroom-Yetton) focuses on specific aspects of

behaviour rather than broadly-defined categories, it has been assessed as the best supported of the situational leadership theories (Yukl, 2001a:117-118). Yet, four weaknesses have been noted. These are firstly, the decision process is regarded as a single event at one point in time, secondly, the exclusion of important decision procedures, thirdly, the model is too generous in terms of the number of distinctions between the various options and fourthly, it is assumed that leaders possess the necessary skills to apply the model and to use each of the decision procedures.

Hellriegel, *et al.* (2001:296-298) infer that the leadership-participation model confirms other types of research which shows that leaders use participation when the quality of the decision is important and that the situation (rather than the leader) should receive attention. In other words, before choosing a leadership style, leaders must assess the situation.

### **2.8.9 The path-goal approach**

The path-goal model is still in its early stages of development and several variations exist. The major criticisms aimed at this theory refer to the assumptions underlying some of the hypotheses, the conceptual problems of the expectancy theory. It is limited to motivational functions as the sole means of affecting subordinate behaviour (Yukl, 2001a:103; Hellriegel, *et al.*, 2001:295-296).

### **2.8.10 Universal theories**

The universal theories on effective behaviour of McGregor, Likert and Argyris advocate that leaders who make extensive use of participative procedures, are more effective (Yukl, 2001a:89).

In criticism of the universal (humanistic) theories, it has been reported that empirical research offered only limited support for the universal proposition that leaders with a high concern for people and a high concern for production, are more effective (Yukl, 2001a:90-91).

## **2.9 TRENDS (STRENGTHS AND WEAKNESSES) IN CURRENT LEADERSHIP WRITING WHICH IMPACT ON STRATEGIC CHANGE PROCESSES WITHIN THE ORGANISATION**

In the overview of leadership, it is clear that each school of thought is anchored in a specific discipline. However, collectively these different theories and models all contribute to the holistic understanding of leadership dynamics.

Central to the theme is that leadership is an influential process directed at shaping the behaviour of subordinates (Jones, George and Hill, 2000:463). Consequently, the search for "effective" leadership has led to a proliferation of studies and theories. Yet, individually none of the above theories provides harmonious and proper bases for successful implementation in organisations.

For example, possession of the traits which distinguish leaders from non-leaders (i.e. drive, desire to lead, honesty, integrity, self-confidence, intelligence, relevant job knowledge) is no guarantee of good leadership, because the trait theories ignore situational factors. Similarly, the contingency models apply to conditions that are either favourable or unfavourable and they suggest a leadership style for each condition. Comparably, the situational theory with its four leadership styles requires that the leader select a style according to the job and psychological maturity of the employee.

As early as 1959, Bennis (1959:259) observed that leadership is a vague and confounding area, a view echoed by Stogdill (1974:vii) in his statement that there is a lack of an integrated understanding of leadership. Tichy and Devanna (1997) maintain that the majority of the leadership cores of firms in Westernised economies have yet to become aware of the need for revitalisation of their organisations, their vision and their leadership style (Richmon and Allison, 2003:32-34; Horner, 1997:272).

In a developing country such as South Africa those firms with the potential to grow and develop in both local markets and the international arena (particularly SMEs), are also in urgent need of such revitalisation. Years of (political and economical) isolation have lead to complacent and lethargic leadership styles (Denton and Vloeberghs, 2003:84-85).

Ignoring the powerful forces observed in international trends which indicate "the closing of frontiers" and the consequent limiting of opportunities, is comparable to "ostrich style" leadership - in other words, it is the denial of changes in individuals, organisations and

society (Booyesen and Beaty, 1997:3-4).

Change in leadership practice, theory and research has been progressing relatively slowly. However, Bass (1985:xiii) reiterates that the refinement of leadership style and methods depend on contingent reinforcement, with the latter also having its limits of what can be achieved between leaders and subordinates. Hence, his call for the need of a paradigm shift in order to go beyond these barriers.

In summary, it is acknowledged that the trait, behaviour and situational approaches of leadership have contributed significantly towards understanding the body of theoretical knowledge on leadership. Yet, each of these three categories has weaknesses. For example, no group of traits is representative of all leaders, neither does a single type of behaviour work equally well in all situations with all people (Smit and Cronjé, 2002:292).

Therefore, urgent rethinking and implementing of a dynamic style, such as being conveyed through transformational leadership, will be crucial for the growth and development of the SME entrepreneur.

## **2.10 THE NEED FOR NEW THEORY**

A broader view of leadership is sought. For example, Conger (1999:146-147) argues that there is "... general dissatisfaction with the earlier models of leadership which have seemed too narrow and simplistic to explain leaders in change agent roles". This view is also reflected by Bass (1990:10) who proposes that "theory and research should move

forward together, each stimulating, supporting, and modifying the other".

In almost every text written on leadership, the authors call for further research and assert the need for new leadership theories and strategies. Some examples of such requests can be found, *inter alia*, in Thornberry (2003:329-344), Erikson (2003:106-112), Denton and Vloeberghs (2003:91-94), Curran (2002:3), Yukl (2001b:287) and Tichy and Devanna (1997). In general, the assertion by these and other scholarly research signify that although there is nothing wrong with these theories, they are incomplete.

There are distinct and noticeable indicators that leadership is considered to be an important subject. Both Yukl (2001a:10; 2001b:267-268) and Bass (1990:10) claim that nearly ten thousand articles and books have been published on the subject of leadership. In fact, Smit and Cronjé (2002:278) quote Burns' statement that "leadership is one of the most observed phenomena on earth".

In all probability, answers to the question why certain organisations are successful, enthusiastic and spirited could be found in the theory of transformational leadership. Cook and Hunsaker (2001:508) are of the opinion that, with the exception of the trait theories, the theory on transformational leadership "looks at the subject the way the average 'person on the street' does".

There is growing international interest in the subject matter of transformational leadership, both from an intellectual, academic and populist basis. For example, the

Centre for Leadership Studies at the State University of New York in Binghamton (*SUNY*, 2002) holds transcripts of more than fifty doctoral dissertations on transformational leadership.

The central theme of the above research on transformational leadership issues relates to the achievement of follower (employee) performance beyond the ordinary limits; stated differently, followers' attitudes, beliefs, motives and confidence need to be transformed from a lower to a higher order of maturity and arousal (Cook and Hunsaker, 2001:510).

In the following chapter, particular focus will be on current interest in transformational leadership. These findings are filtered to identify those transformational leadership characteristics required in SMEs to affect continuous learning, innovation and change.

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## CHAPTER 3: TOWARDS A (TRANSFORMATIONAL) THEORY OF LEADERSHIP

“Transformational leadership holds great promise for advancing associations, businesses and society because it can cause fundamental change, answer deeper issues and create new paradigms”.

Banerji and Krishnan (2000:405)

### 3.1 BACKGROUND

From the preceding chapter the supposition has been clearly emphasised that there is inconsistent evidence from the leadership models examined on how best leaders should lead in their organisations. While the earlier models focus particularly on personality traits, later models examine leader behaviours as determined by situational factors.

From both a national and an international perspective, Hellriegel, *et al.* (2001:299) note that organisations realised that they "will have to make major changes in the ways they do things in order to survive". Ready and Conger (2003:83-88) further state that organisations will have to make leadership development a core business process in order to prepare leaders and teams that will take these organisations to greater heights of achievement and growth.

This viewpoint is also held and repeated by numerous authors and researchers on leadership theories (cf. Hersey, Blanchard and Johnston, 2001:415-416; Boehnke, Bontis, DiStefano and DiStefano, 2003:6; Hughes, Ginnett and Curphy, 2002:385; Hersey, Blanchard and Johnston, 2001:415-416; Krishnan, 2001:126-128; Robbins, 2000:471; Lim, 1997:283; Bass and Avolio, 1994:2-3; Tichy and Devanna, 1990:4;

Bass, 1985a:3-4; Bennis and Nanus, 1985:3-5).

Therefore, this chapter focuses on leadership in the economy; more specifically on leadership requirements in small and medium-sized enterprises (SMEs). In this chapter, the particular focus is to emphasise and substantiate the current interest in transformational leadership. In this regard, the differences between leadership and management will form part of the discussion, with the rationale that SMEs have to rely on the owner/entrepreneurs to manage the business, as opposed to professional managers, as found in large enterprises. This section is followed by a literature survey of the studies on those qualities that inspire and motivate people beyond their normal levels of performance (i.e. charismatic leadership, transactional leadership and transformational leadership) with the objective of identifying profile elements of transformational leadership in large organisations.

The summary of strategic transformational behaviour in organisations is followed by an introduction to a conceptual model on transformational leadership in SMEs. Finally, these findings are filtered in order to identify those transformational leadership characteristics required in SMEs to affect continuous learning, innovation and change.

## **3.2 INTRODUCTION**

The realisation by business leaders that major changes will be required in their organisations if they were to remain effective, has ensued in a new look at the trait theories (Hellriegel, *et al.*, 2001:285-286); Bass (1985:4) however, states that studies on

leadership have been moving into new patterns of inquiry.

Given the importance of leadership, it is therefore not surprising that researchers continue to search for perspectives to address those issues in which leadership experiences a "vacuum".

In the South African business context the consequence of extraordinary socio-political changes during the past decade has created a democratic order antithetical to the old order of paternalism.

The logical impact and outcome of such environmental forces should be the filter-down effect into the political and economic environment. The political transformation has brought about irrevocable economic changes. In addition, Hersey, *et al.* (2001:416-417) postulate that corporate leaders and SME entrepreneurs need to implement and adopt leadership styles corresponding to those of the external environment. However, it is also argued that South Africa trains too many managers and too few leaders who can change organisations (Nieman, 2001:446).

South African business is faced with new order challenges. Since sustained isolation reduced/deleted the level of competitiveness required at international level, two of these challenges are as follows: business organisations are being pushed onto the threshold of (new) international markets; secondly, there is a need for owners and managers of SMEs to "elevate" their leadership abilities to internationally acceptable levels (cf. Denton and Vloeberghs, 2003:86).

South African enterprises will therefore face the same global issues which affect leadership everywhere (Table 3.1). In the economy (i.e. external environment), this form of leadership calls for a leader's full understanding of the organisation's environment, whereas internally (i.e. micro environment) leaders will have to instil in their followers a sense of performance beyond normal expectations by giving them a new purpose for working.

Table 3.1: Global issues affecting leadership challenges for the 21st century

**In the economy**

- . increasing competition among firms on a global basis
- . emphasis on speed, service and information - a mandate for flexibility and change in organisations
- . creative and conceptual demands of a computer-based work setting, with great opportunities for value-added labour

**In the organisation**

- . changing socio-economic status and demographics of employees (increase in women, minorities, immigrants, and less educated workers in the work force), with need for more training and lifelong learning
- . employee demands for greater participation in management decisions
- . shift to emphasis on teams, skill-based pay, and employee management co-operation within the firm, with gain-sharing, profit-sharing, and other attempts to encourage and reward productivity
- . flatter, more decentralised organisations, with greater employee need for self-management and concomitant accountability

Source: Adapted from Porter, M. 1990. Why Nations Triumph. *Fortune*. March 12:94-98; Dreyfuss, J. 1990. Get ready for the New Work Force. *Fortune*. April 23: 165-181.

In order to identify how best the entrepreneurs of South African SMEs can meet this challenge, it is essential to distinguish between leadership and management.

### 3.3 LEADERSHIP VERSUS MANAGEMENT

"... just as a managerial culture is different from the entrepreneurial culture that develops when leaders appear in organisations, managers and leaders are very different kinds of people. They differ in motivation, personal history, and in how they think and act" (Zaleznik, 1977:70).

One of the numerous controversies persisting in the leadership debate relates to the differences between leadership and management. Many scholars in leadership literature have done extensive writing and research to emphasise the distinctions between leadership and management, including Conger and Kanungo (1998:6-12), Kotter (1990a), Zaleznik (1989) and Burns (1978). Although it is apparent that a person can be a leader without being a manager, a person can also be a manager without leading. Kotter (1990b:103-111) postulates that leadership and management are in some ways similar, but in more ways different. He further states that leadership is about coping with change, whereas management is about coping with complexity.

Despite the paradoxes between leadership and management, Kakabadse and Kakabadse (1999) state that both are required in the organisations of today. Similarly, Hughes, *et al.* (2002:387) assert that leaders and managers have different perspectives towards their goals, careers, and relations with employees and people external to the organisation and towards themselves. These differences between leadership and management are shown in Table 3.2.

Table 3.2: Differences between management and leadership		
<i>Activities</i>	<i>Management</i>	<i>Leadership</i>
Creating an action agenda	Focuses on planning and budgeting	Concentrates on establishing direction
Achieving that agenda	Thinks in terms of organisation and staffing	Concerned with communication and cooperation
Carrying out that agenda	Focuses on problem solving and control	Emphasises motivation
Bases of power	Formal organisational position and control	Expertise and personality
<u>Source:</u> Kotter, J.P. 1990. <i>A Force for Change: How Leadership Differs from Management</i> . New York: Free Press.		

The differences between leaders and managers can be postulated as follows. In terms of the four variables (activities), namely developing an agenda for action, achieving that agenda, pursuing the agenda and exercising control, leaders follow the path of concentrating on direction-finding through communication and co-operation, and by acting as motivators by exerting power through their expertise and personality.

In contrast, managers achieve results by applying the four variables through a process of concentrating on planning and budgeting, whilst applying the human element through organising and staffing, following through with the agenda by means of problem solving and controlling by using formal authority and resource control. Kotter's discourse is aligned to the proposal by Bennis and Nanus (1985:21) that "managers are people who do the things right and leaders are people who do the right thing". Shani and Lau (2000:M3-6) summarise the unique features of both leadership and management in Table 3.3.

<b>Table 3.3: A comparative summary of leadership and management features</b>	
<b>Management</b>	
Carry out traditional functions: Planning, budgeting, organizing, staffing, problem solving, and control.	
Assume roles as required*: Interpersonal roles of symbolic figurehead, liaison with key people, supervisor of employees. Informational roles of information monitor, information disseminator, and spokesperson. Decision-making roles of innovator within the unit, disturbance handler, resource allocator, and negotiator	
<b>Leadership</b>	
Challenging the status quo. Developing vision and setting direction. Developing strategies for producing changes toward the new vision. Communicating the new direction and getting people involved. Motivating and inspiring others.	
*	From: Mintzberg, H. 1975. The Manager's Job: Folklore and Fact. <i>Harvard Business Review</i> . July-August. 54-57.
<u>Source:</u> Shani, A.B., Lau, J.B. 2000. <i>Behavior in Organizations: An Experimental Approach</i> . Chicago: McGraw-Hill.	

Since there is considerable overlap between the functions, activities and preoccupations of leaders and managers, the reaction by scholars to such a distinguishing of characteristics was strong (Hughes, *et al.*, 2002:11). Shani and Lau (2000:M3-6) state that there is opportunity for more innovation and critical thinking at all levels in the organisation and it is therefore wrong to assume that a person cannot be both a leader and a manager (cf. Yukl, 1998:5). Conger and Kanungo (1998:9) contend that there are people who are both effective leaders and effective managers, but that they are quite scarce and usually extremely successful at doing almost anything they set out to do.

According to Yukl (1998:5) leaders influence commitment, whereas managers carry out position responsibilities and exercise authority. Support for Yukl's statement is drawn from Shani and Lau (2000) who state that the choice to lead is an intentional act. Not everyone is willing to fully accept the responsibilities and burdens of leadership or perceive them as leaders. For enterprises to be competitive in national and international markets, it is urgent that they unleash creative achievement of employees.

### **3.4 ENTREPRENEURS AND MANAGERS: THE DEBATE ON DISTINGUISHING CHARACTERISTICS**

Of paramount significance in this debate is to establish critical similarities and dissimilarities between the concepts *entrepreneurship* and *management* (or entrepreneurs and managers).

Hisrich and Peters (2002:20) and Siropolis (1997:37-48) distinguish between *entrepreneurship* and *entrepreneur* in that entrepreneurs mostly imply those persons

launching new ventures, whereas entrepreneurship is practised in all types of businesses, irrespective of size. They are of the opinion that "entrepreneurship is the capacity for innovation, investment, and expansion in new markets, products, and techniques". This view is generally supported by the majority of authors on the subject of entrepreneurship (cf. Vosloo, 1994:1-10). Taken to its logical conclusion, the term *entrepreneur* implies being at work in taking risks, investing in new products and technology, or creating new markets.

Yet, Siropolis (1997:37-48) categorically states that *entrepreneurship* differs from *management* by using the following argument which says that the task of a manager is to make the business perform well. This is done with given resources (factors of production allocated by the owners) which are then arranged into the production of goods and the provision of services.

Contrasting the role of the manager, the author (Siropolis) views the entrepreneur as the person bringing about change on purpose, i.e. the act of being creative and innovative. Siropolis argues that these two characteristics are inherent to entrepreneurs. Yet, they are not necessarily present in managers.

Kao (1989:5-8) develops a basic premise that entrepreneurship and creativity result from the interrelationship between three elements, namely the person, the task and the organisational context. The *person* is responsible for the generation of new ideas; the *task* implies what a group of people or the organisation does, but largely being led by the person's vision. The *organisational context* refers to the immediate setting which



may inhibit or promote creativity and entrepreneurship. Finally, these elements exist in an environment, which too can facilitate or impede creativity and entrepreneurial endeavour.

Kao (1989:102) dispels the myth of the manager and the entrepreneur as distinct species within the business world, but states that the literature reveals distinguishing characteristics between entrepreneurs and managers. Kao qualifies the latter revelation with his postulation that these two terms (entrepreneur and manager) are so widely and freely used, as if the differences between the two terms have also been understood.

In this regard, Stevenson (1988) contributes to the understanding of the contrast with his differentiation between the promoter (i.e. the entrepreneur) and the trustee (i.e. the manager). The *promoter* type is constantly attuned to environmental changes, while the *trustee* type wants to preserve resources and reacts defensively to possible threats to deplete them. Stevenson envisions entrepreneurship as a behavioural phenomenon consisting of critical dimensions which examine a range of behaviour between two extremes. Varying degrees of entrepreneurial and managerial behaviour are defined at the end-point. The most important conclusion from Stevenson's postulation is that an artificial distinction between entrepreneurs and managers is eliminated. Instead, there is an overlapping of portions on this spectrum between entrepreneurial and managerial behaviour.

Hisrich and Peters (2002:20) and Siropolis (1997) conclude that there is an apparent overlap between the roles of the entrepreneur and the manager. For example,

entrepreneurs starting enterprises must use managerial skills to implement their vision, while managers must use entrepreneurial skills to manage transformation and to innovate.

Kao (1989:102-103) is of the opinion that the roles of entrepreneurs and managers involve a combination of traits in response to a given personality, a given set of opportunities and a given environment. By using the framework of task, environment and person, some of the semantic issues on the indifferences may be resolved.

Stevenson, Roberts, Grousbeck and Bhidé (1999) hypothesise that the actual entrepreneurial process consists of four distinct phases which do not necessarily ensue in a sequential phase. These four distinct phases are *opportunity identification and evaluation, business plan development, determining the required resources, and managing the resultant enterprise created*.

Hisrich and Peters (2002:33-34) emphasise that after acquiring the resources and utilising them into action through the implementation of a business plan, the entrepreneur must address the operational problems of a growing enterprise. The latter activity does not only involve the implementation of a management style and structure, but also determining the key variables for success.

These two authors clearly indicate a major difference between entrepreneurial and managerial decision-making, namely the difficulty some entrepreneurs experience in managing and enlarging the enterprise they created.

Stevenson and Sahlman (1986:1-26) address the difference between entrepreneurial and managerial styles from a set of five key domains. These are strategic orientation, commitment to opportunity, commitment of resources, control of resources, management structure. Each of these key business dimensions, to a lesser or larger degree, waver between the domains of entrepreneurial and managerial decision-making. In other words, each of these five areas is critical to the balance needed for entrepreneurial managing.

To encourage innovation and creativity from its employees, enterprises adapting to a fast-changing environment need to retain certain entrepreneurial characteristics. However, Hodgetts and Kuratko (2000:328) emphasise that the critical balance between being entrepreneurial and managerial is extremely difficult to achieve.

Pressures for the extension of entrepreneurship often occur as a result of changes in the marketplace. Therefore, these pressures are external in nature. Yet, behaviour of an entrepreneurial or managerial nature occurs from within the organisation and in making these decisions, entrepreneurs and managers proceed from different perspectives. Stevenson and Gumpert (1985:86-87) present a continuum with its two extremes the entrepreneurial view and the managerial view respectively, and have characterised these specific points of view in question format:

From the managerial point of view:

- What resources does the manager control?
- What structure determines the organisation's relationship to the market?
- How can the manager minimise the impact of others on his ability to perform?
- What opportunity is appropriate?

From the entrepreneur's point of view:

- Where is the opportunity?
- How does the entrepreneur capitalise on it?
- What resources does the entrepreneur need?
- How does the entrepreneur gain control over them?
- What structure is best?

Remaining entrepreneurial, while adopting certain managerial traits is crucial for enterprises with growth potential. Hisrich and Peters (2002:41) observe that the entrepreneurial venture (i.e. the start-up enterprise) presents the manager (in all probability its owner) with a more ambiguous, rapidly-changing environment than a typical manager in a large organisation faces. They conclude that a different set of skills be developed through entrepreneurial experience and/or education. Table 3.4 compares the characteristics and pressures of the five major factors which distinguish an entrepreneurial from a managerial culture.

Upon scrutinizing the operational elements of leadership, one is struck by the acuteness of the problems facing SMEs. For example, in the case of leadership in large corporations it is functionally a team process (Vyakarnam, Jacobs and Handelberg, 1999:153-165). In SMEs however, the problem is compounded in that (usually) one person only (i.e. the entrepreneur) is mostly responsible for innovation, creativity, change and the implementing of endeavours of a transformational nature. The result of such a diversity of activities is exemplified in a locus of control in SMEs which becomes diluted, inefficient and non-directional (cf. Stevenson, Roberts Grousbeck and Bhidé, 1999).

Table 3.4: The entrepreneurial culture versus the managerial culture

	ENTREPRENEURIAL FOCUS		MANAGERIAL FOCUS	
	<i>Characteristics</i>	<i>Pressures</i>	<i>Characteristics</i>	<i>Pressures</i>
STRATEGIC ORIENTATION	Driven by perception of authority	Diminishing opportunities Rapidly changing technology, consumer economics, social values and political rules	Driven by controlled resources	Social contracts Performance measurement criteria Planning systems and cycles
COMMITMENT TO SEIZE OPPORTUNITIES	Revolutionary, with short duration	Action orientation Narrow decision windows Acceptance of reasonable risks Few decision constituencies	Evolutionary, with long duration	Acknowledgement of multiple constituencies Negotiation about strategic course Risk reduction Coordination with existing resource base
COMMITMENT OF RESOURCES	Many stages, with minimal exposure at each stage	Lack of predictable resource needs Lack of control over the environment Social demands for appropriate use of resources Foreign competition Demands for more efficient use	A single stage, with complete commitment out of decision	Need to reduce risk Incentive competition Turnover in managers Capital budgeting systems Formal planning systems
CONTROL OF RESOURCES	Episodic use or rent of required resources	Increased resource specialization Long resource life compared with need Risk of obsolescence Risk inherent in the identified opportunity Inflexibility of permanent commitment to resources	Ownership or employment of required resources	Power, status and financial rewards Coordination of activity Efficiency measures Inertia and cost of change Industry structures
MANAGEMENT STRUCTURE	Flat, with multiple informal networks	Coordination of key non-controlled resources Challenge to hierarchy Employees' desire for independence	Hierarchy	Need for clearly defined authority and responsibility Organisational culture Reward systems Management theory

Source: Stevenson, H.H., Gumpert, D.E. 1985. The Heart of Entrepreneurship. *Harvard Business Review*. 64(2):89

In all probability, answers to the question why certain organisations are successful, enthusiastic and spirited, could be found in the theory of transformational leadership. Denton and Vloeberghs (2003:84, 91) underscore this statement when they recognise that the changes in South Africa since 1994 have deeply influenced the life of (business) leaders; hence, more attention should be given to the advantages of transformational leadership. Consequently, charismatic, transactional and transformational leadership are discussed in the following sections.

### **3.5 CHARISMATIC LEADERSHIP**

It was during the 1980s that researchers developed extraordinary interest in the three themes of charismatic leadership, the creation of culture in organisations and change in organisations.

First reviewed in the USA, the interest in charismatic leadership can be attributed to the increase in foreign competition and the internal changes in organisations in order to survive (Conger and Kanungo, 1998:4).

The origin of *charisma* is Greek, meaning a favour/grace/talent specially granted by the Almighty, such as the ability to predict the future and to perform miracles. Since Weber's use of the term in 1947 to describe the followers' perception that their leaders possess exceptional qualities, the term has fallen in disuse in the literature reviewed.

From a business perspective, the term charismatic leadership was never used; until

recently it remained in the domain of researchers in sociology, political leadership and religious cults (cf. Hughes, *et al.*, 2002:400-401; Conger and Kanungo, 1998:5). Yukl (1998:205) contends that researchers during the 1960s were ambivalent whether charismatic leadership is the result of leader attributes, situational conditions or an interactive process between leaders and followers.

However, even though the term is still defined and used in different ways, some consensus has been achieved regarding an interactional conception thereof (cf. Conger and Kanungo, 1998:140-143; Bass, 1985b:36-45; House, 1977:189-207).

Robbins (2000:473) asserts that charismatic leadership is an extension of the attribution theory which states that followers make attributions of extraordinary leadership abilities when they observe certain behaviours.

House (1977) aspired to develop a theory which tested how charismatic people behave, how they differ from others, as well the conditions under which they are most likely to flourish. In further research House (1985) identified certain characteristics of charismatic leaders. They stand for something, have a vision for the future, are able to communicate that vision to subordinates and motivate them to realise it.

Charismatic leaders create an atmosphere of change and they may be obsessed with visionary ideas that excite, stimulate and drive other people to work hard. Charismatic leaders, therefore, have an emotional impact on subordinates (Hughes, *et al.*, 2002:399-400).

Bennis (1984:15-19) identified four common competencies of charismatic leaders. These are: a compelling vision (or sense of purpose) the ability to clearly communicate that vision to followers, demonstrating consistency and focus in the pursuit of that vision, and knowing and capitalising on their own strengths.

Table 3.5: The charismatic leader	
<b>Envisioning</b>	
<ul style="list-style-type: none"> <li>. articulating a compelling vision</li> <li>. setting high expectations</li> <li>. modelling consistent behaviours</li> </ul>	
<b>Energizing</b>	<b>Enabling</b>
<ul style="list-style-type: none"> <li>. demonstrating personal excitement</li> <li>. expressing personal confidence</li> <li>. seeking, finding &amp; using success</li> </ul>	<ul style="list-style-type: none"> <li>. expressing personal support</li> <li>. empathizing</li> <li>. expressing confidence in people</li> </ul>
<p>Source: Nadler, D.A., Tushman, M.L. 1990. Beyond the Charismatic leader: Leadership and Organizational Change. <i>California Management Review</i>. Winter. 32(2):82</p>	

From the discussions and research on charismatic leadership emerges a picture of the special kind of leadership that appears to be critical during times of strategic adaptation in organisations (Conger and Kanungo, 1998:13-31; Nadler and Tushman, 1990:82). The model in Table 3.5 identifies the nature and determinants of this particular type of leadership that successfully brings about changes in the individual's values, goals, needs and aspirations.

The first component of *envisioning* consists of a desired future state with which people can identify and which creates great excitement. The vision needs to be articulated in clear and compelling terms, yet credible. Follower support is gained through the leader's expression of behaviours consistent with the vision.



In the second component of *energizing*, the leader motivates his followers by means of the following: demonstrating their own personal excitement and energy, leveraging that excitement through direct personal contact with many people and finding and using success to celebrate progress towards the vision.

With the third component of *enabling* the leader provides emotional support to employees to complete tasks. They express support for individuals (empathy) and they express confidence in people's ability to perform. In order to bring about change, charismatic leaders provide a psychological focal point for the aspiration and hopes of people and they serve as powerful role models for subordinates who seek these desired behaviours (Nadler and Tushman, 1990:83).

There also appears to be greater consensus amongst researchers on two crucial issues. Firstly, charismatic leadership may work from within or outside formal power structures. Secondly, the intentions and outcomes of their actions can be both beneficial and harmful (cf. Shani and Lau, 2000:M3-9; Conger and Kanungo, 1998:31-33; Moorhead and Griffin, 1994:344; Bassb, 1985:36).

Towards the latter part of the 1990s Conger and Kanungo (1998:51) completed and published imaginative and resourceful research on charismatic leadership. These characteristics, which differentiate between charismatic and non-charismatic leaders, are summarised in Table 3.6.

Table 3.6: Key characteristics of charismatic leaders

1. *Self-confidence.* Charismatic leaders have complete confidence in their judgement and ability.
2. *Vision.* They have an idealised goal that proposes a future better than the status quo. The greater the disparity between the idealised goal and the status quo, the more likely that followers will attribute extraordinary vision to the leader.
3. *Ability to articulate the vision.* They are able to clarify and state the vision in terms that are understandable to others. This articulation demonstrates an understanding of the followers' needs and, hence, acts as a motivating force.
4. *Strong communications about the vision.* Charismatic leaders are perceived as being strongly committed, and willing to take on high personal risk, incur high costs, and engage in self-sacrifice to achieve their vision.
5. *Behaviour that is out of the ordinary.* They engage in behaviour that is perceived as being novel, unconventional, and counter to norms. When successful, these behaviours evoke surprise and admiration in followers.
6. *Appearance as a change agent.* Charismatic leaders are perceived as agents of radical change rather than as caretakers of the status quo.
7. *Environment sensitivity.* They are able to make realistic assessments of the environmental constraints and resources needed to bring about change.

Source: Adapted from Conger, J.A., Kanungo, R.N. 1998. *Charismatic Leadership in Organizations*. London: Sage. 51.

In summary, literature on charismatic leadership provides evidence on the following four issues: 1) that followers of charismatic leaders have higher levels of motivation, performance and satisfaction; 2) individuals can be trained to exhibit charismatic behaviours; 3) charismatic leadership often features in ideological issues, such as in politics, religion and in businesses with radically new products, or businesses facing extinction; and, 4) once crises and a need for dramatic changes have occurred in a business, the charismatic leader may actually become a burden - a situation attributed to the self-confidence of the charismatic leader which becomes problematic (Hughes, *et al.*, 2002:405-415, 420).

### 3.5.1 Limitations of the charismatic leader

There is strong evidence that, even if the charismatic leader were to apply all the

special qualities as referred to above, it might not be enough to bring about the required change in the organisation. Some of the key potential problems, as identified by Nadler and Tushman (1990:83-85) are summarised in Table 3.7.

In more recent literature on the downside of charisma (Hughes, *et al.*, 2002:413-414; Khurana, 2002:60-67, *The Economist*, 2002:58), arguments are being presented that charismatic leaders often emerge during crises in organisations, to perform “miracles”. These phenomena cannot be sustained over the long-term, and eventually charisma becomes a curse.

The major criticism of charismatic leadership is reflected in the risk of this type of leadership which revolves around a single individual. Nadler and Tushman (1990:85) conclude that despite these risks, charismatic leadership is a necessary component (albeit not a sufficient component) of the type of leadership required in an organisation in need of change. Therefore, there is a need to move beyond the charismatic leader.

Finally, charismatic leadership is defined less broadly than transformational leadership, but Dvir, Eden, Avolio and Shamir (2002:735) and Conger and Kanungo (1998:15) assert that there is considerable overlap between the two concepts; hence, the need to review transformational leadership.

Table 3.7: Limitations of charismatic leaders

*Unrealistic expectations:* Creating a vision and energizing people may create unrealistic or unattainable expectations.

*Dependency and counter-dependency:* Strong, energetic leadership may inculcate a syndrome of total dependency by individual followers and the total organisation. Creativity by followers become passive or reactive.

*Reluctance to disagree with leader:* Followers become hesitant to disagree or come into conflict with charismatic leader, resulting in conformity.

*Need for continuing magic:* Leadership credibility may ensue in instances of unabated continuation of charisma.

*Potential feelings of betrayal:* Adverse outcomes may lead to a fear of betrayal, often resulting in anger at the charismatic leader who created expectations.

*Disenfranchisement at next levels of management:* Strong charismatic leadership may alienate next levels of management. They lose their ability to lead since vision, direction and energy comes from the charismatic leader.

*Limitations of range of individual leader:* Periods of rapid change often call for different types of competencies, which may not be vested in one person (charismatic leader) only. The number of strategic changes by one person is therefore limited

Source: Adapted from Nadler, D.A., Tushman, M.L. 1990. Beyond the Charismatic leader: Leadership and Organizational Change. *California Management Review*. Winter. 32(2):83-85.

### 3.6 STUDIES ON TRANSFORMATIONAL LEADERSHIP

In their empirical studies on the impact of transformational leadership on follower development, Dvir, *et al.* (2002:735) state that “transformational leadership theory is a prominent representative of the new theories that have occupied the center stage in leadership research in the last two decades”. This view is also reiterated by Barling, *et al.* (2000:157) who state that “... within the large literature on leadership, transformational leadership has probably attracted more empirical scrutiny than any other current theory”.

Further support for the above statements on the enhancement of transformational leadership is also made by Hunt (1999:129-143). Hunt constructs compelling arguments in a very thought-provoking essay by introducing the concepts of “traditional leadership” and “new leadership”,<sup>7</sup> with the latter concept referring to transformational leadership.

In their research on the differences between leaders and managers, Bass and his research colleagues have made a distinction between transactional leaders and transformational leaders (cf. Boehnke, *et al.*, 2003; Krishnan, 2001; Barling, *et al.*, 2000; Bass, 1990b:19-31; Hater and Bass, 1988:695-702; Avolio and Bass, 1987:29-50; Bass, Avolio and Goodheim, 1987:7-19).

### **3.6.1 Transactional leadership**

Transactional leaders guide or motivate their followers in the direction of established goals by clarifying role and task requirements. They set goals and promise rewards for desired performance (Hughes, *et al.*, 2002:416; Boehnke, *et al.*, 2003:6).

To Burns (1978) leadership and followership are inextricably linked, and he sees transactional leadership as an exchange relationship between leader and follower through compliance. Burns is also of the opinion that the leadership process occurs either in a transactional or transformational process (Conger and Kanungo, 1998:13).

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<sup>7</sup> Based on the notions since the early 1980s of the introduction of transformational/charismatic/visionary/change-oriented leadership schools, as espoused by Bryman (1992) and House and Aditya (1997), the term “new leadership” refers to the abovementioned grouping, whilst the term “traditional leadership” is used for all the theories preceding the period 1970-1980, the latter period now being referred to as the period of “doom and gloom” in leadership research. For a detailed discussion on the distinction between traditional and new leadership, cf. Hunt, J.G. 1999. Transformational/Charismatic Leadership's Transformation of the Field: An Historical Essay. *Leadership Quarterly*. 10(2):129-143.

Fundamentally, transactional leadership denotes the engagement of a transaction between leader and follower. For example, leaders explain what is required of followers and the compensation they will receive for fulfilling these requirements. According to Bass (1990b:20) "... this kind of leadership, which is based on transactions between managers and employees, is called transactional leadership".

Daft (1999:427) refers to transactional leadership as a "traditional management function". The traditional management function is typical of leaders who clarify the role and task requirements of subordinates, initiate structure, provide appropriate rewards and try to be considerate to, and meet the social needs of subordinates. Robbins (2000:471-473) and Bartol and Martin (2000) proclaim that leadership theories, such as the Ohio State University Leadership studies, Fiedler's Contingency model, House and Evans' Path-Goal theory and Vroom and Yetton's Leader-Participation (Normative) model, have all been addressing transactional leaders.

Transactional leaders excel at management functions and their ability to satisfy subordinates, may improve productivity. Transactional leaders take great pride in good administration and often emphasise the impersonal aspects of performance (i.e. budgets, plans and schedules). Transactional leaders exhibit a deep sense of commitment to the organisation and conform to the organisations norms and values. Burns (1978:20) contends that transactional leadership involves values, but they are values relevant to the exchange process, such as honesty, fairness, responsibility and reciprocity. Therefore, Yukl (1998:210) asserts that transactional leaders motivate their employees by appealing to their self-interest.

Primarily, transactional leadership is characterised by the two factors of *contingent reward* and *management by exception* (Bass, Waldman, Avolio and Bebb, 1987:74). *Contingent reward* implies the contract exchange of rewards in instances where subordinates meet standards as (mutually) agreed upon. For example, it recognises effort, good performance and accomplishments.

To these two characteristics Bass (1990b:22) has made one further extension and one amendment, respectively (see Table 3.9). *Active management by exception* signifies the search by transactional leaders for deviations from the rules and standards and the taking of corrective action. Through *passive management by exception* the transactional leader interferes only when the required standards are not being met. The *laissez-faire* leader abdicates responsibilities and avoids decision-making.

Bass, *et al.* (1987:74) and Waldman (1987:24) conclude that transactional leadership concentrates on the underpinning of the *status quo* through the satisfying of the subordinate's prevailing psychic and material needs. Bass (1990b:20) assertively states that transactional leadership "is a prescription for mediocrity".

In conclusion, the question is: what type of leadership is required to gain performance *beyond expectations* from subordinates, for employees to sacrifice own self-interests for the good of the leader, for employees to express creativity in problem solving and for moulding the values and commitment level of subordinates? Waldman (1987:25) asserts that these questions require an even more active approach than that implied by transactional leadership, namely transformational leadership.

### 3.6.2 Transformational leadership

Although Barling, *et al.* (2000:157-161) and Eisenbach, *et al.* (1999:83) affirm that transformational leadership has attracted more empirical enquiry than any other current leadership theory, Baumann (1988:21) is of the opinion that these studies have mainly assessed the characteristics of transformational leader, rather than how the process of transformational leadership actually occurs in the work environment. Yet, the major contributors towards an understanding of this type of leadership are Burns (1978), Bass (1985), Tichy and Devanna (1986a) and Waldman (1987).

Waldman (1987:23-28), in an article highly critical of the lack of leadership practices, the problems of conceptualising leadership and the general lack of leadership direction in enterprises, cites three reasons for the perceived disillusionment of this lack of leadership direction. Firstly, leadership is inborn, or natural, and thereby excludes persons without the proper quality mix, secondly, ill-defined parameters of leadership, and thirdly, the assumption that leadership is only exercised by top executives and not by lower order leadership levels.

Waldman eliminates the above disenchantment by asserting that transformational leadership, as a dynamic theory, encompasses positive individual and organisational effects by means of dramatic changes, vision development and commitment to that vision. Both individual qualities (such as a history of positive reinforcement, success experiences, challenges, supportive feedback) and organisational structure (such as role modelling, structure and culture) mould transformational leadership.

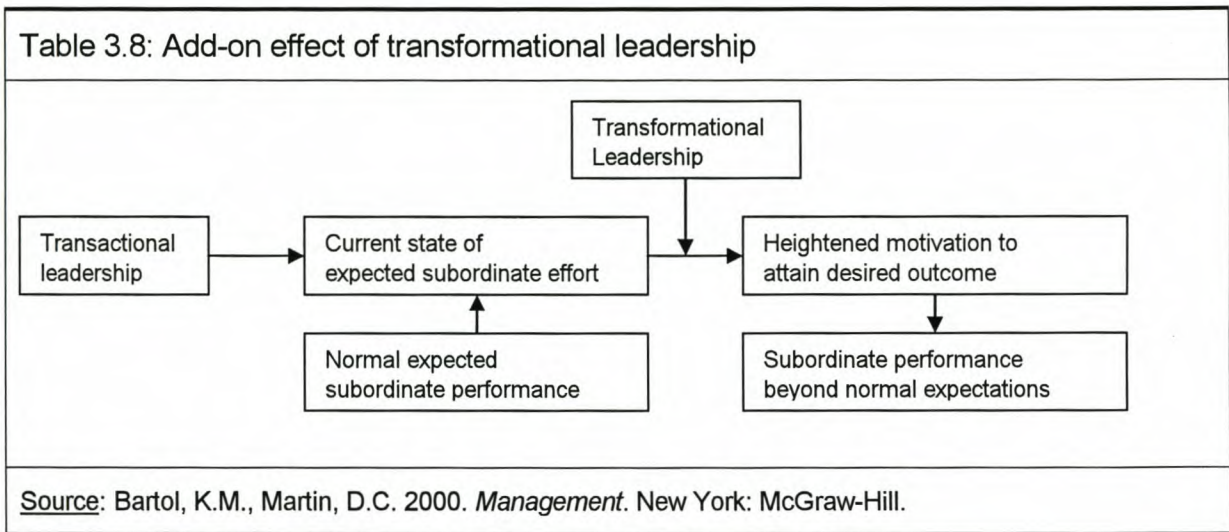


In all probability, the seedbed for transformational leadership can be found in the business environment of the United States of America during the 1980s. This period encountered revolutionary change in the environment, due to accelerated transformations in the political and economic arenas of, notably, Europe, Central and Eastern Europe, the Middle East and the rise of the newly-industrialised economies of the Far East (e.g. Korea, Singapore, Malaysia, Philippines, Thailand).

Shani and Lau (2000) comment on this period of rapid change that the environment "... is expected to continue to emphasize the transformation and revitalization of public and private institutions. Deeply entrenched differences between management and labor, between environmentalists and businesses and between universities and constituent organisations are being reevaluated according to the changing power of nations and increasing economic competition. In the light of these unprecedented changes, transformational leadership can be viewed as vital to the survival and growth of organisations, and it is a timely topic for further discussion".

In addition, Avolio and Bass (1987:14) assert that transformational leadership is more than charisma. They state that charismatic leaders may want their followers to adopt the charismatic's worldview and then go no further. Avolio and Bass further contend that the transformational leader attempts to instil in their followers the ability to question established views, but more so the views instilled by the leader. In other words, the change from the current "ordinary" leadership style to the desired situation is through transformational leadership.

Transformational leadership does not substitute transactional leadership. Rather, it supplements transactional leadership with an add-on, namely that of performance beyond expectations. Bartol and Martin (2000) hold the view that even the most successful transformational leaders need transactional skills to manage the day-to-day affairs of the business. This "add-on" effect is presented in Table 3.8.



From Table 3.8 it becomes apparent that transformational leaders motivate their subordinates to go beyond what is normally expected of them. This category of performance beyond expectations is achieved through inspiring the followers to consider the mission of the organisation, which transcends the individual's self-interest. This entails concentrating on achieving higher order goals, such as achievement and self-actualisation, in addition to achieving the lower-order goals of safety and security.

In studying the relationship between transactional and transformational leaders, Bass (1990b:21-22) makes the following distinctions between these two leaders, as listed in Table 3.9. According to Bass, the leadership factors important to transformational

leadership are idealised influence (i.e. charisma), inspirational motivation, intellectual stimulation and individualised consideration. These listings are based on the findings of a series of surveys and on clinical and case evidence.

Table 3.9: Characteristics of transformational and transactional leaders
<b>TRANSFORMATIONAL LEADER</b>
<p><i>Charisma</i>: Provides vision and sense of mission, instils pride, gains respect and trust.  <i>Inspirational motivation</i>: Communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways.  <i>Intellectual Stimulation</i>: Promotes intelligence, rationality, and careful problem solving.  <i>Individualised Consideration</i>: Gives personal attention, treats each employee individually, coaches, advises.</p>
<b>TRANSACTIONAL LEADER</b>
<p><i>Contingent Reward</i>: Contracts exchange of rewards for effort, promises rewards for good performance, recognises accomplishments.  <i>Management by Exception (active)</i>: Watches and searches for deviations from rules and standards, takes corrective action.  <i>Management by Exception (passive)</i>: Intervenes only if standards are not met.  <i>Laissez-Faire</i>: Abdicates responsibilities, avoids making decisions.</p>
<p><u>Source</u>: Adapted from Bass, B.M. 1990b. From Transactional to Transformational Leadership: Learning to Share a Vision. <i>Organizational Dynamics</i>. 18(3):22.</p>

Transformational leaders emerge to take enterprises through major strategic changes, such as revitalisation (Hersey, *et al.*, 2001:416; Daft, 2000). Although they are similar to charismatic leaders, Tichy and Ulrich (1984:59-68) state that transformational leaders have explicit features through their special abilities to bring about innovation and change. Van Fleet and Peterson (1994:379) also refer to this type of leadership (i.e. transformational) as *entrepreneurial* leadership.

Bass (1990b:21-22) views transformational leadership as a superior form of leadership performance which occurs when leaders can expand and raise the interest level of their employees, when the mission of the group is accepted by the individual and where the

leaders stimulate the individual employee to look beyond self-interest for the common good of the group. Bass further describes the characteristics of individualised consideration, intellectual stimulation and charismatic inspiration as the distinct manifestation of transformational leadership. These changes in employees can be achieved in one, or more, of the following ways:

- Central to the success as a transformational leader, attaining *charisma* in the eyes of the employees is important. Charismatic leaders have great power and influence and employees want to identify with them. Such leaders also sustain a high degree of trust and confidence. Charismatic leaders possess the ability to elicit the following responses in their followers (employees): pride, faith, and respect. Such leaders recognise what is important and they articulate effectively their sense of mission (or vision) that inspires their followers. In history, Martin Luther King, John F. Kennedy, Lee Iacocca and F.D. Roosevelt have been described as charismatic leaders (House, 1977:189-207). Conger and Kanungo (1998) identified the behavioural characteristics synonymous with charismatic leaders. Such leaders strive to change the *status quo*, their (idealised) future projected goals are very different from current conditions, they exhibit unconventional behaviour and they counter existing norms.
- Transformational leaders are *individually considerate*. This characteristic implies that leaders pay personal attention to employees' needs. They treat each employee as an individual worthy of respect. They also act as mentors to those employees who need to grow and develop by delegating projects to help develop the employee's capabilities.
- Through *intellectual stimulation*, transformational leaders show their employees new

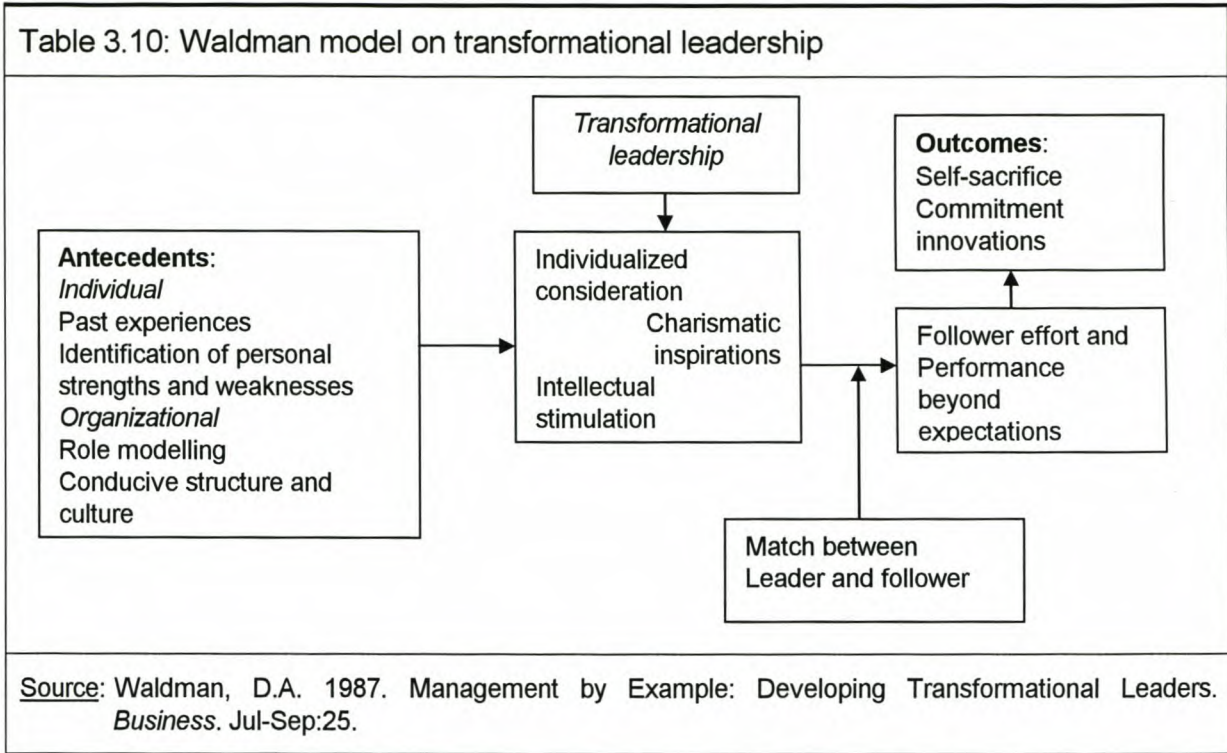
ways of re-assessing old problems, to foster creative breakthroughs (i.e. rational problem solving) - in essence, instilling pride and commitment in employees.

The Waldman Model of transformational leadership (Table 3.10) follows the same path and logic as that of the Bass model in Table 3.8, but Waldman (1987:25-26) clarifies the antecedents of transformational leadership. Transformational leadership does not happen in a vacuum and the conditions which set the stage thereto incorporate two groups, namely *individual antecedents* and *organisational antecedents*.

*Individual antecedents*: The style of being transformative implies self-confidence and conviction in the person (in all probability the leader) exhibiting this style. The latter characteristics do not happen in a vacuum, but are developed through a number of life experiences such as success, challenges, supportive feedback and encouragement from family. Stated differently, the leader develops individual strengths (e.g. the willingness to take risks, technical expertise, and the ability to communicate clearly, concern for people) which have strong transformational influences on followers. These strengths form the basis of personal power, an attribute admired by followers. Transformational leaders should also be aware of their weaknesses and the impact thereof on the leadership role.

*Organisational antecedents* refer to the processes and conditions within the organisation, which may impact (positively and negatively) on transformational leadership. Two of these processes have been identified as role modelling, structure, and culture. Bass, Waldman, Avolio and Bebb (1987:73) refer to transformational

leadership role modelling as having a "cascading" effect in the organisation. Role modelling pertains to the persistent use of transformational leadership style.



The transformational leadership characteristics of *individualised consideration*, *intellectual stimulation* and *charismatic inspiration* broaden the ideas of the employee from that of concerns for security and existence, to higher order concerns for achievement and growth. This process of imparting transformational leadership creates awareness in employees of their own needs and those of the organisation.

Two crucial requirements for the successful transfer of transformational leadership qualities (i.e. the "matching" between leader and follower) refer firstly to the absence of major style and personality conflict between leader and follower and secondly, major differences in terms of biographical variables between leader and follower (Waldman,

1987:27-28). For example, personality conflict may cause a misinterpretation of individualised consideration and intellectual stimulation by the employee. Secondly, (biographical) differences between leader and follower may impede the building of mutual trust and empathy between these two persons.

Waldman acknowledges the nature of the transformational process as a time-consuming process. Yet, the inspiration instilled by the leader produces effort and performance by the employee that goes beyond normal expectations. Viewed differently, employees willingly expand their tasks beyond what is required. Individualised consideration and intellectual stimulation induce innovative and creative efforts that become the norm, rather than the exception. In Waldman's model, the leader's vision and charisma are contagious and result in motivated subordinates.

Waldman concludes that the outcomes of his transformational leadership model are, *inter alia*, innovation and creativity amongst employees, sacrificing of self-interest for the common good of the enterprise and commitment. Waldman regards the latter pay-off (i.e. commitment) as a key variable in a dedicated and innovative organisation. Waldman (1987:28) concludes as follows that "... transformational leadership is the key to ensuring a committed and innovative workforce. In a continually changing environment, the long-range success of an organisation depends on the ability of leadership at all levels to develop, stimulate, and inspire. The evolution of transformational leaders should be understood and fostered to increase the chances of success".

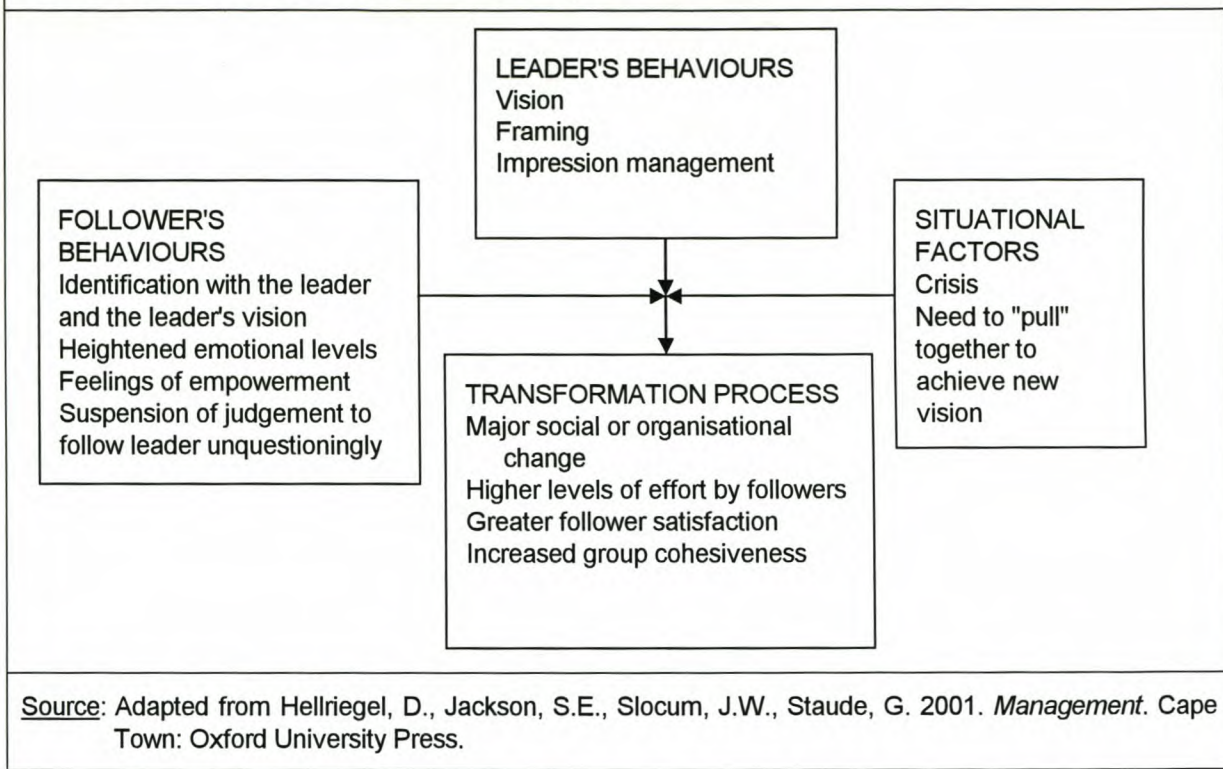
Hellriegel, *et al.* (2001:300) present a model that explains the methods transformational leaders use to affect their followers and to elicit types of responses synonymous with this form of leadership. Table 3.11 explains these behavioural characteristics and the followers' reactions. Researchers (cf. Kets de Vries, 1994:73-93; House, Spangler and Woycke, 1991:364-395) have identified three types of behaviours exhibited by transformational leaders. These are: vision, framing and impression management.

*Vision:* Transformational leaders exhibit a behaviour of binding people together with their vision of what ought to be. In civil rights, the "I have a dream" speech by Martin Luther King called for the mass support of this movement. A classic example in business of such vision is Lee Iacocca's leadership behaviour in turning Chrysler Corporation around from near insolvency to a profitable enterprise. However, Hellriegel, *et al.* (2001:299) maintain that a vision, by itself, is not enough to elicit the type of response experienced by transformational leaders. These leaders also have a method for operationalising that vision. This process is described as "*buying into*" that vision by means of a plan which will motivate employees to reach it. For example, Iacocca's plan at Chrysler Corporation to reduce his salary to \$1 per year to motivate his staff to take a temporary 10% salary reduction, underpins "*buying into that vision*".

*Framing:* This process is used by leaders to define the purpose of their organisation in highly meaningful terms for their followers. Transformational leaders surpass their traditional counterparts by framing their vision by giving employees a new purpose for their work. This approach is in contradiction to many leaders who are slow in recognising and assessing changes and threats in the environment.



Table 3.11: Transformational leadership model



*Impression management* is a leader's attempt to control the impressions that others form about the leader through practising behaviours that make the leader more attractive and appealing to others. For example, business leaders use advertising campaigns, slogans and events to raise the awareness and inspire others to follow their belief about ethical, environmental, social and political issues.

The three leader behaviours of vision, framing and impression management bring about the desired change in followers (employees). These are: major organisational change, followed by effort levels of followers exceeding previous levels, greater follower satisfaction and an increase in group cohesiveness.

Hersey, *et al.* (2001:417) concur with the above supposition when they state that "...

transformational leadership does not alter the basic definition of leadership ... (but) ... it does, however, highlight the specific actions that the leader should perform in a transformation”.

### **3.7 IDENTIFYING THE PROFILE ELEMENTS OF TRANSFORMATIONAL LEADERSHIP**

The preceding sections on transformational leadership expounded primarily on *what* transformational leaders do and *how* they do it. In this process, definitions and traits have been addressed. Bass and his colleagues (cf. Avolio and Bass, 2000; Bass, 1997:130-139; Bass, 1990a; Bass, 1990b; Avolio and Bass, 1987; Hater and Bass, 1988; Bass, *et al.*, 1987; Bass, 1985a) have conducted the most extensive empirical and quantitative research on transformational and transactional leaders. Avolio and Bass (1987) found "overwhelming evidence supporting the notion that transformational leadership seems to exist at many levels of organizational settings ... (and) ... that transformational leadership is not at all that rare".

In late 2002 the researcher was introduced to a model by Tromp (2002) which synthesises the essentials of transformational leadership behaviour into seven elements, each with its associated items that explain the respective elements. These are: 1) the ability to earn credibility, 2) envisioning, 3) "Pygmalion" behaviours (enhanced learning or performance resulting from the positive expectations of others), 4) locus of control ("Galation" effect), 5) charisma, 6) thinking and learning, and 7) team-building. The Tromp model encapsulates all the elements of the models of Bass, Waldman and others, referred to earlier in this chapter.

After having assessed various models on transformational leadership, the researcher is of the opinion that the Tromp model can be classified as a model of transformational leadership behaviours. It is presented in Table 3.12.

Table 3.12: Tromp model on transformational leadership behaviours	
<p>Behaviours to earn credibility</p> <ul style="list-style-type: none"> <li>• Being a role model</li> <li>• Idealizing his/her influence</li> <li>• Gaining trust through positioning</li> </ul> <p>Envisioning behaviours</p> <ul style="list-style-type: none"> <li>• Creating a new vision</li> <li>• Focusing attention through the vision</li> </ul> <p>“Pygmalion” behaviours</p> <ul style="list-style-type: none"> <li>• Demonstrating a pro-active orientation</li> <li>• Demonstrating an achievement orientation</li> <li>• Demonstrating the means to achieve the vision</li> <li>• Institutionalizing change</li> </ul> <p>Behaviours to create a “Galation effect”</p> <ul style="list-style-type: none"> <li>• Displaying inspirational motivation</li> <li>• Encouraging the heart</li> <li>• Inspiring a shared vision</li> <li>• Creating meaning through communication</li> <li>• Envisioning/communicating the vision</li> <li>• Energizing</li> </ul>	<p>Charismatic behaviours</p> <ul style="list-style-type: none"> <li>• Displaying self-confidence</li> <li>• Being presentable</li> <li>• Making an impact</li> </ul> <p>Thinking and learning behaviours</p> <ul style="list-style-type: none"> <li>• Information searching</li> <li>• Concept forming</li> <li>• Detecting unexpected opportunities</li> <li>• Displaying conceptual flexibility</li> <li>• Challenging the process</li> <li>• Recognizing the need for revitalisation</li> <li>• Practicing intellectual stimulation</li> <li>• Developing him/herself</li> </ul> <p>Team-building behaviours</p> <ul style="list-style-type: none"> <li>• Developing others</li> <li>• Displaying individualized consideration</li> <li>• Enabling others to act</li> <li>• Building mutual trust</li> <li>• Managing interaction</li> <li>• Conducting an interpersonal search</li> <li>• Structuring, controlling and rewarding</li> </ul>
<p>Source: Tromp, D. 2002. Personal interview.</p>	

Based on the work done by, *inter alia*, Bennis and Nanus (1985), Tichy and Devanna (1986a), Kouzes and Posner (1987), Nadler and Tushman (1989), Conger (1989), Nevis, Lancourt and Vasallo (1996) on the leadership behaviours, actions and strategies required to bring about change in organisations, Hersey, *et al.* (2001:418) present a very succinct overview of the characteristics (profile elements) of transformational leaders, as well as the strategies employed by them in Table 3.13.

Bennis and Nanus (1985) <sup>1</sup>	Tichy and Devanna (1986) <sup>2</sup>	Kouzes and Posner (1987) <sup>3</sup>	Nadler and Tushman (1989) <sup>4</sup>	Conger (1989) <sup>5</sup>	Nevis, Lancourt and Vasallo (1996) <sup>6</sup>
Attention through vision Meaning through communication Trust through positioning Deployment of self	Recognising the need for revitalisation Creating a new vision Institutionalising change	Challenging the process Inspiring a shared vision Enabling others to act Modelling the way Encouraging the heart	Envisioning Energising Enabling Structuring Controlling Rewarding	Detecting unexploited opportunities and deficiencies in the current situation Communicating the vision Building trust Demonstrating the means to achieve the vision	Persuasive communication Participation Expectancy Role modelling Structural engagement Extrinsic rewards Coercion
<p><sup>1</sup> Bennis, W.G., Nanus, B. 1985. <i>Leaders: The strategies for taking charge</i>. New York: Harper &amp; Row.</p> <p><sup>2</sup> Tichy, N.M., Devanna, M.A. 1986. <i>The Transformational Leader</i>. New York: John Wiley.</p> <p><sup>3</sup> Kouzes, J.M., Posner, B.Z. 1987. <i>The Leadership Challenge</i>. San Francisco: Jossey Bass.</p> <p><sup>4</sup> Nadler, D.A., Tushman, M. 1989. Leadership in Organizational Change In: Mohrman, A.M., Ledford, G.E., Cummings, T.G., Lawler, E.E. 1989. <i>Large Scale Organizational Change</i>. San Francisco: Jossey Bass.</p> <p><sup>5</sup> Conger, J.A. 1989. <i>The Charismatic Leader</i>. San Francisco: Jossey Bass.</p> <p><sup>6</sup> Nevis, E.C., Lancourt, J., Vasallo, H.G. 1996. <i>International Revolutions</i>. San Francisco: Jossey Bass.</p> <p><u>Source:</u> Adapted from Hersey, P., Blanchard, K.H., Johnson, D.E. 2001. <i>Management of Organizational Behavior: Leading Human Resources</i>. Upper Saddle River, New Jersey: Prentice-Hall. 418.</p>					

The constructs of transformational leadership (namely charisma/idealised influence, inspiration, intellectual stimulation and individualised consideration)<sup>8</sup> as identified by Bass form the basis of the review on transformational leadership. Tichy and Devanna (1997) incorporate the following number of common characteristics that transformational leaders share:

- *They identify themselves as change agents.* In their research Tichy and Devanna found none of the individuals as "professional turnaround artists". Instead, these leaders were individuals who took responsibility for leading an organisation through change by articulating these processes of transformation to employees (cf. Tichy and Devanna (1986a), Kouzes and Posner (1987), Nadler and Tushman (1989),

<sup>8</sup> A detailed discussion on the four factors of transformational leadership is presented in: Bass, B.M., Steidlmeier, P. 1999. Ethics, character, and authentic transformational leadership behavior. *Leadership Quarterly*. 10(2):181-227.

Conger (1989), and Nevis, *et al.* (1996) in Table 3.13).

- *They are courageous individuals.* Because these leaders are moderate risk-takers they are regarded as people who symbolise values and beliefs. Courage requires both an intellectual component (i.e. perspectives to assess painful realities) and an emotional component (i.e. the ability to inform others of critical choices) (cf. Bennis and Nanus (1985), Kouzes and Posner (1987), Nadler and Tushman (1989) in Table 3.13).
- *They believe in people.* Even though transformational leaders are powerful, they do not act in a dictatorial manner. They are sensitive of other people and work towards the empowerment of others (cf. Bennis and Nanus (1985), Kouzes and Posner (1987), Nadler and Tushman (1989), Conger (1989), and Nevis, *et al.* (1996) in Table 3.13).
- *They are value-driven.* These leaders are able to articulate a set of core values and exhibit behaviour that are congruent with their value positions (cf. Kouzes and Posner (1987), Nadler and Tushman (1989), Conger (1989), and Nevis, *et al.* (1996) in Table 3.13).
- *They are life-long learners.* Transformational leaders learn from past mistakes and do not regard previous mistakes as failures. The latter implies a continuous phase of learning and developing which transformational leaders convey to their subordinates (cf. Bennis and Nanus (1985), Tichy and Devanna (1986a), Kouzes and Posner (1987), and Nevis, *et al.* (1996) in Table 3.13).
- *They have the ability to deal with complexity, ambiguity and diversity.* These leaders are able to cope with and frame problems in a complex and changing world. They are disciplined thinkers (based on formal education) and can, therefore, deal with

complex problems in a structured manner (cf. Tichy and Devanna (1986a), Kouzes and Posner (1987), Nadler and Tushman (1989), and Nevis, *et al.* (1996) in Table 3.13).

- *They are visionaries.* Transformational leaders are able to translate their dreams into images that can be shared by others (cf. Bennis and Nanus (1985), Tichy and Devanna (1986a), Kouzes and Posner (1987), Nadler and Tushman (1989), Conger (1989), and Nevis, *et al.* (1996) in Table 3.13).

Given the information from the literature on the constructs of transformational leaders (as presented above), there is concurrence with the model of Hersey, *et al.* (2001:418), as presented in Table 3.13.

### **3.8 SUMMARY**

In summary, Pearce, Sims, Cox, Ball, Schnell, Smith and Travino (2003:281) and Bass and Avolio (1994:2-3) affirm that transformational leadership is seen when leaders firstly, stimulate interest among colleagues and followers to view their work from new perspectives, secondly, generate awareness of the mission or vision of the team and the organisation, thirdly, develop colleagues and followers to higher levels of ability and potential and fourthly, motivate colleagues and followers to look beyond their own interests toward those factors that will benefit the group. Kim, Mauborgne and Van der Heyden (2002) refer to the above actions of transformational leadership as “fair process” in the sense that this style of leadership addresses the most basic human need of being valued as a colleague.

Viewed differently, in organisations where change occurs frequently, it is argued that transformational leadership is the style that will produce the best results and which will benefit the organisation as a whole (*Strategic Direction*, 2002:5-7).

Therefore, in conclusion, transformational leadership is about understanding the enterprise's environment and to attend to the strategic environment. It involves developing human resources and to anticipate, rather than react to, the need for change and development.

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## CHAPTER 4: ENTREPRENEURS, CHANGE AND THE ENTERPRISE LIFECYCLE

### 4.1 BACKGROUND

The objective of this chapter is to discuss the qualifications which will incorporate those skills and competencies to drive SMEs by means of a strategy of renewal from mere average enterprises to enterprises functioning and performing at higher order levels, i.e. higher levels of excellence as postulated by Peters and Waterman (1982) that "... excellent companies are the way they are, because they are organized to obtain extraordinary effort from other human beings".

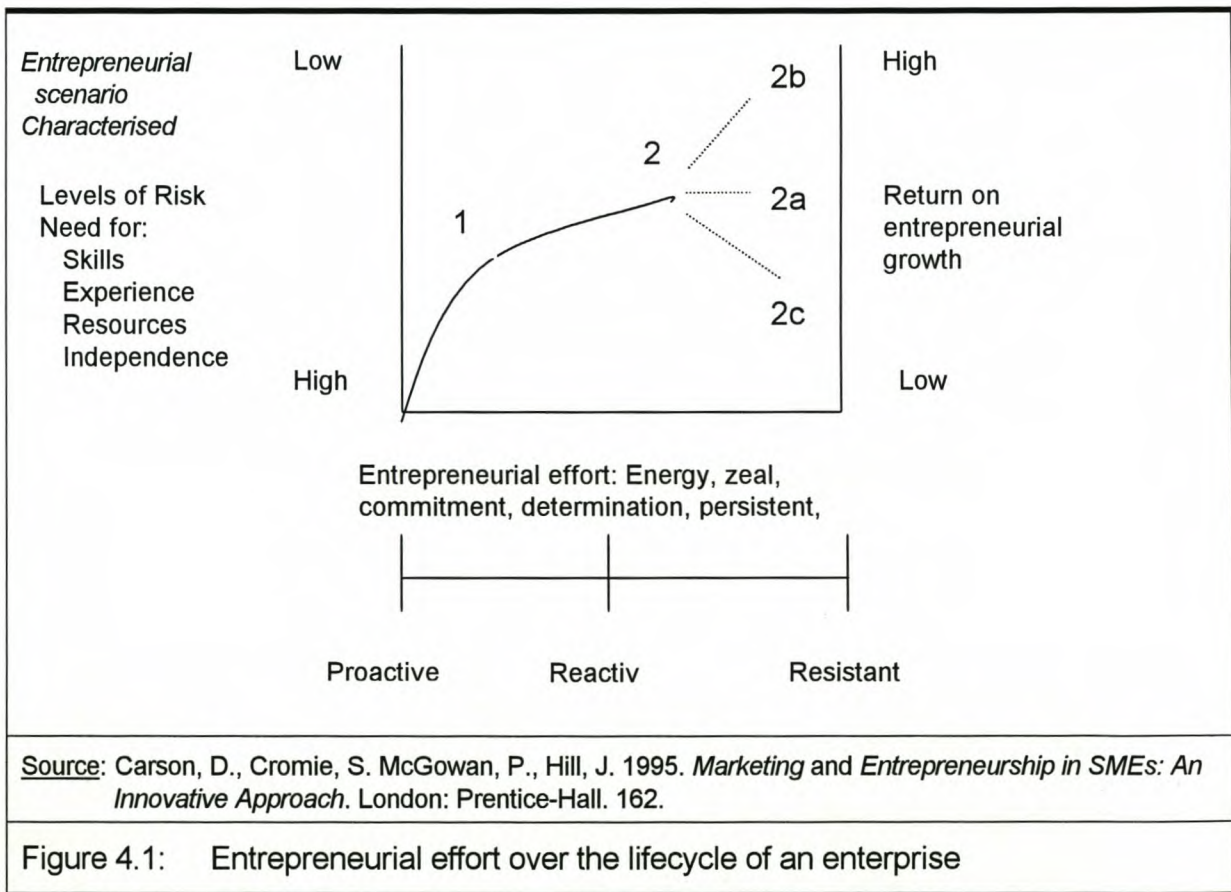
### 4.2 A THEORETICAL MODEL ON ENTREPRENEURSHIP

To move SMEs beyond the survival stage, Carson, Cromie, McGowan and Hill (1995:161-163) present a model describing the options during the post-pioneering stage as a lifecycle of entrepreneurship. The key elements of this model are the *entrepreneurial effort*, the *entrepreneurial scenario* and the *return on the entrepreneurial effort*.

The model seeks to represent the relationships between these three elements and presents a basis for understanding the challenge of maintaining the *entrepreneurial effort*. The latter is reflected in the energy, enthusiasm and the level of commitment of the individual to establishing and building an enterprise constantly focusing on innovative activity, change and market opportunities.



The elements of the *entrepreneurial scenario* are represented by the level of risk, uncertainty and chaos attending the launch of a new enterprise and the individual's need for skills, knowledge, experience and personal independence, as well as acquiring adequate resources to launch the enterprise. The *return on entrepreneurial effort* is reflected in the degree of growth over a period of time as a consequence of the entrepreneur's efforts and environmental circumstances. In Figure 4.1, the relationship between these three elements is presented as a lifecycle.



The Carson, *et al.* model consists of three important points, identified as 1, 2 and an extension of 2 (into 2a, 2b and 2c), respectively. The salient features of Point 1 are: the entrepreneurial effort is highest at the outset of the venture and the entrepreneurial

scenario is probably at its most adverse. At this stage the levels of risk and uncertainty, as well as the individual's need for skills and experience, are high. During this initial period the return on entrepreneurial effort is at its lowest. Despite the low entrepreneurial effort, entrepreneurs have a vision of how things might be and they proactively seek ways to fulfil their ambitions.

Point 2 exhibits the following features: the enterprise now enters a late growth/early maturity phase during which the entrepreneurial effort reaches a mid-point. Circumstances in the enterprise are characterised by relatively low risk, a high degree of sophistication and professionalism. There is relative ease of access to resources, the enterprise establishes a position in the marketplace and it is easier to acquire resources needed for innovations; yet, entrepreneurs may be less hungry for change and new opportunities, similar to the conditions during the early days. The entrepreneurial effort is more satisfactory and the life of the entrepreneur is rewarding.

In terms of lifecycle models (cf. Kao, 1989:178-193) the extension of Point 2 presents three broad options available to the entrepreneur, albeit at different levels of resistance. In a classical way, one path is to extend the maturity phase (Point 2a) to enjoy average growth. Point 2c depicts the danger zone (trap) into which many enterprises and products lapse when nothing is done to maintain growth and even rejuvenate the organisation and its ideas. In an entrepreneurially dynamic environment, the risk of losing everything is high.

Extending the maturity stage into the area depicted by Point 2b is an attempt to put the enterprise onto a renewal track. Successful enterprises operate and function within the perimeters of Point 2b. Miner (1990:221-234) is unambiguous when he states that this is the point at which the entrepreneurial energies force transformation in the enterprise, bringing about a consequential change in the way things are done by entrepreneurs and their employees.

#### **4.2.1 Implications of the process of extending and renewal**

For entrepreneurs the process of extending and renewal implies the following viewpoints: the giving of leadership; providing a vision and developing this vision in others in the enterprise; building and managing entrepreneurial teams; providing appropriate structures in the enterprise to facilitate work; planning for change and acting as a catalyst to ensure progress; identifying clear goals and taking action to achieve these; acquiring appropriate skills to lead the enterprise through the processes of change; and, gaining access, through networking, to the necessary resources to implement change (Lessem, 1986). In other words, this whole process implies the implementation of the concept of transformational leadership by the entrepreneur.

#### **4.3 THE CHALLENGE FOR SOUTH AFRICAN SMEs**

Given the contribution by South Africa's SMEs of approximately 42% of the Gross Domestic Product in 2001 (*South Africa Yearbook*, 2001/2002:158), this claim has to be put into perspective. Due to an isolationist economy (at least until the middle 1990s) the economic contribution of SMEs has primarily been achieved in domestic markets.

From all the preceding statements it becomes evidently clear that, for SMEs to survive in a global economy and particularly Porter's postulation on global issues affecting leadership (cf. Table 4.1), their leadership will have to acquire higher order competencies, skills and attitudes. This means that the future of leadership in SMEs will switch its focus from power to *achievement*. The latter implies a process of transforming these small business teams of people into cohesive ones, infusing them with enthusiasm and creating a climate in which all employees will want to identify spontaneously with these firms and their ideals.

#### **4.3.1 Linking and applying aspects of transformational leadership to SMEs**

In the discussion preceding this section, the predicament of linking and applying transformational leadership as presented in a corporate environment to transformational leadership in SMEs still prevails (cf. Chapter 1, Section 1.11, par. 3 and Chapter 3, Section 3.4, par. 1).

The review of secondary data reveals a plethora of knowledge and published material, essentially researched and developed for leadership teams in the corporate environment, i.e. the emphasis is on corporate entrepreneurship (intrapreneurship) and transformational leadership in these large organisations (Thornberry, 2003:329-344). This then leads to the question of how the transition from transformational leadership practices in large firms can be adapted to practices in SMEs and how these practices can be applied to SMEs?

Answers to the above two questions have been found from a further analysis of the literature:

Firstly, Avolio (1996:10) states that the South African style of leadership differs from business leaders in the United States in the sense that South African leaders are inclined to be in a situation of all wanting to work together, whereas in the USA they "tend to talking about separating the individual from the pack". Avolio's assertion of individualism, therefore, is directly applicable to entrepreneurs in SMEs which are (generally) individually owned, managed and controlled.

Secondly, in addition to the characteristics and traits of transformational leaders (see Table 3.9), such leaders also possess characteristics universally present in successful entrepreneurs, namely independence, freedom, developing a vision, remaining flexible and building effective relationships (cf. Denton and Vloeberghs, 2003:86-91; Thornberry, 2003:336; Hisrich and Peters, 2002:63; Zimmerer and Scarborough, 2002:3; Timmons, 1999:218; Carson, *et al.*, 1995:76).

Thirdly, in terms of Drucker's venerable thesis of *The Age of Discontinuity* (1992 and 1990), change itself (in unpredictable and discontinuous forms) causes rapid obsolescence, i.e. it calls for new paradigms of running a business.

Fourthly, into this equation has to be added Davidson's (1996:172) new leadership paradigms:

- Leadership is earned, membership is voluntary. Modern organisations and their employees cannot, and will not, be led through power and control anymore;
- Leadership is in short supply. Leadership need to spread the leadership task throughout the organisation; and,
- Leadership does not know what needs to be done and cannot establish this in time. The emphasis is to manage change, to beat evolution and to take control of own destinies.

To implement the above elements requires a fundamental deviation from the components of command, control and managing to factors of alignment, enabling and leading. According to Hersey, *et al.* (2001:416) and Davidson (1996:174-176), this process of change requires the tasks of vision and strategy, change and improving, and the continuation of day-to-day activities in the enterprise.

#### **4.4 THE NEED FOR TRANSFORMATIONAL LEADERSHIP IN SOUTH AFRICAN SMEs**

The reintegration of South Africa into the international arena has by now been well-documented and publicised. Such reintegration requires a shaping of its own destiny, socially, politically and economically; similarly, this newly-found freedom is accompanied by numerous challenges and analogous decisions will have to be made.

From an economic perspective, reintegration implies the adaptation to cope with international pressures and South African firms will be obliged to make rapid transitional and cultural changes, the majority of which can only be effected through people (Denton and Vloeberghs, 2003:93-94; Grobler, 1996:22).

In addition, the complexity of South Africa's socio-political and economic environments demand that leaders recognise the dynamics of change and act as pioneers in moving organisations away from current forms and levels of industrial conflict, bases of low productivity and a visible and discernible lack of world competitiveness.

In the absence of a perfect international analogy which can be used as an infallible guide, Denton and Vloeberghs (2003:94) and Pretorius (1995:12) assert that each and every leader in South Africa will have to take proper cognisance of the dynamics of change and will have to act in innovative ways. Such acts imply that South African businesses develop a practical, viable leadership philosophy and leadership model.

#### **4.4.1 The need for a different approach to leadership**

Carson, *et al.* (1995:26-27) note that several authors recommend that organisations need transformative leaders rather than directive managers. They further assert that transformational leaders are adept at communicating a vision to employees and securing their commitment in pursuit of this vision. In addition, transformational leaders show concern for the intellectual development and other needs of their staff and emphasise that through collaboration, leaders and followers have the ability to solve problems and transform the organisation.

Since the classical authors on leadership and management are in contrast to those who advocate the abovementioned approaches, it is useful to make comparisons between the directive leadership approaches and managerial ones, as postulated by Bryman (1992) and Popper, Landou and Gluskinos (1992:3-8).

The "different approach" to leadership is presented in Table 4.1. The statements of the left-hand side of the Table bear strong resemblance to the classical approach to leadership. The classical school recommends the retaining of power at the top of the hierarchy; the domination of formal channels of communication; precise allocation of tasks; the full utilisation of written rules, procedures and contractual regulations; and, the rigorous exercise of control by leaders. Carson, *et al.* (1995:26) state that in this kind of work environment "calculative and alienative involvement by employees is the norm".

On the other side of Table 4.1, leadership of a transformational nature, is less concerned with directing and controlling their staff and showing more concern with creating conditions conducive for employees to release the potential of individuals who have to contribute to the future development of the organisation. Viewed differently, Robbins (2000:xiii) refers to the paradigm shift of a leader's role to one of dealing with globalisation, diversity, quality, entrepreneurship and organisational learning.

Carson, *et al.* (1995:27) further state that "... transformative leaders strive to create commitment, interest and motivation from workers in pursuit of a vision to which they subscribe. In a modern world where change in knowledge and markets, together



with a demand for individualized service by customers, is so common, rigid controlling bureaucracies are much less likely to meet consumer needs than flexible empowered ventures. Calls for an organisational and managerial approach akin to transformational leadership are not new, but they have a greater sense of urgency in today's rapidly changing, competitive world".

Table 4.1: Themes of leadership	
Less emphasis needed on:	Greater emphasis needed on:
Planning	Vision/mission
Allocating responsibility	Infusing vision
Controlling and problem-solving	Motivating and inspiring
Creating, routine and equilibrium	Creating change and innovation
Power retention	Empowerment of others
Creating compliance	Creating commitment
Emphasizing contractual obligations	Stimulating extra effort
Detachment and rationality on the part of the leader	Interest in others and intuition on the part of the leader
Reactive approach to the environment	Proactive approach to the environment

Source: Bryman, A. 1992. *Charisma and leadership*. London: Sage. 111.

#### 4.4.2 South African business and the World Competitiveness Report

In terms of the *World Competitiveness Report (2002)*, South Africa occupied an overall 39<sup>th</sup> position out of 49 countries surveyed, with extremely low ratings for "people management" (48<sup>th</sup>) and 35<sup>th</sup> position for "management". Since the 1998 ranking of 43<sup>rd</sup> position, South Africa has marginally improved its position on the overall ranking. Even though South African firms show great potential in some areas, their progress is being handicapped by deficiencies in leadership, management and people categories.

Similarly, using Pearson's Model of Competitive Advantage (1992), which compares numerous competitive factors classified under the three headings of *industry*

*assessment* (i.e. technological innovation), *strategy* (i.e. strategic direction, external communication, long-term orientation, cost orientation, core competence, customer focus) and *culture* (i.e. empowerment, corporate identity, involvement in leadership, motivation to commitment), South African firms acquired a rather disturbingly low ranking for *culture* and, more particularly, for *leadership involvement*.

How, then, do South African firms move beyond these inefficient levels of performance to levels of developing world-class thinking and delivering world-class products and services?

Denton and Vloeberghs (2003:91-93), Handford (1999), Cacioppe (1998:44-53), Avolio (in *Human Resource Management Yearbook*, 1996:10-14), *People Dynamics* (1996:26-31), Grobler (1996:22-34) and Pretorius (1995:12-13) are all in agreement that such a significant leap can be brought about through a process triggered by transformational leadership. This is a form of leadership which has become increasingly salient as the most effective approach as the demand for leadership which is concerned with vision increases, with enabling and empowering the individual follower, and which can thrive in a world of technological, social, and political change and diversity (Hunt, 1999:129-143; Avolio and Bass, 1994:1).

Leadership in SMEs is (almost) analogous to Hobbes' reference (1975:76-90) of the nuclear family (i.e. concentrated leadership as observed in SMEs) as a tiny system - a small *Leviathan*. Put differently, the success or failure of an SME is entirely dependent on the standards set by its leadership, namely the individual. In addition, Nicholls

(1988:45) asserts "... that there can be no denying that movers-and-shakers (i.e. entrepreneurs) can achieve transformation in the fortunes of an organization ... (and) ... that a transformation can be achieved by nothing more than skilful performance of the macro leadership role of path-finding and culture-building".

From the above argumentation, the need to synthesise all the above factors into a model on transformational leadership for SMEs is now required. A model is needed which is conceptual, eminently customisable and logical for implementation in those firms without the typical corps of corporate leadership and management experts.

The essence of this dissertation focuses on entrepreneurs, or the key movers in SMEs, as submitted by De Coning (1992:53). He states that for these entrepreneurs (and based on the profile of the average entrepreneur) the fostering and effective practising of transformational leadership face almost insurmountable barriers in SMEs.

However, the literature unequivocally indicates that transformational leadership is a behavioural process which can be learned (cf. par. 3, p. 16).

The implication of transformational leadership as a behavioural process is tantamount to the fact that SME entrepreneurs can learn the techniques and obtain the qualities they need to become transformational leaders. In other words, SME entrepreneurs can become transformational leaders who inspire, energise and intellectually stimulate their employees.

Developing and motivating employees, developing and selling a vision and providing leadership in any enterprise will require a whole new set of competencies which entrepreneurs will have to develop within themselves.

Vyakarnam, *et al.* (1999:158-159) and Carson, *et al.* (1995:57) refer to the person who drives and leads the enterprise as the *lead entrepreneur*, whereas Bennis and Nanus (1985:110) allude to this leader as the *social architect*.

For *lead entrepreneurs/social architects* to become and remain successful, Carson, *et al.* (1995:55) state that they will have to consistently exhibit the following qualities:

- innovative and commitment to change;
- opportunity-focused, constantly on the lookout for new ideas;
- the need to take calculated risks;
- give leadership and energise people to work with them, building them into cohesive teams; and,
- negotiate with and persuade potential investors regarding opportunities.

Consequently, a conceptual model of transformational leadership in SMEs, which incorporates the majority of the above skills, competencies and domains, is presented in the following section.

#### **4.5 DEVELOPING A THEORETICAL FRAMEWORK AND CONSTRUCTING A MODEL OF TRANSFORMATIONAL LEADERSHIP IN SMEs**

Having addressed in the preceding sections the two suppositions with four rational arguments and, based on the review of literature, a comparison of the characteristics of transformational leaders and entrepreneurs in SMEs can now be presented. The objective of this comparison is to isolate and identify those characteristics of transformational leaders that are not present in entrepreneurs.

Phase I of the conceptual model is to list the characteristics of transformational leaders as well as those of entrepreneurs in SMEs. From the literature, it is now possible to isolate the characteristics unique to these two sets of variables.

In constructing Phase I of the conceptual model an attempt is made to identify linkages between individual characteristics and sets of characteristics of these two groups (i.e. transformational leaders and entrepreneurs).

The latter group of compliant characteristics is required as antecedents for Phase II of the conceptual model when a set (or cluster) of characteristics, as identified in Phase I, will be loaded into the model to determine the extent to which entrepreneurs in SMEs exhibit strategic transformational behaviour.

For the purposes of the operational definitions of transformational leaders and entrepreneurs (as stated in Figure 4.2), the stated definitions have been taken from Burns (1978:4) and Hisrich and Peters (2002:10), respectively.

- For transformational leaders, the definition is: The ability to inspire and motivate followers to achieve results greater than originally planned and for internal awards.
- For entrepreneurs in SMEs, the definition is: Creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction.

#### 4.5.1 Summary of characteristics of transformational leaders

In addition to research by House, Spangler and Woycke (1991:364-395) and Kets de Vries (1994:73-93) on the types of behaviours exhibited by transformational leaders and Tichy and Devanna's (1986b:30-32; 1990:271-281) profiling of a number of common characteristics that transformational leaders share (see Chapter 1, par.1.11 and Chapter 3, Table 3.9), factor analytic studies by Pearce, *et al.* (2003), Kent, *et al.* (2001), Hater and Bass (1988), Seltzer, Numeroff and Bass (1987) and Bass (1985) suggest that transformational leadership can be conceptually organised along four correlated dimensions.

These characteristics (as depicted in Chapter 3, Figure 3.2) are: *idealised influence* (charismatic/ visionary leadership), *inspirational leadership*, *intellectual stimulation* and *individualised consideration*. These four dimensions of transformational leaders form the basis of the constructs for the item pool in the questionnaire on transformational leadership characteristics in SMEs (cf. Chapter 5, Table 5.1).

#### **4.5.2 Summary of characteristics of entrepreneurs in SMEs**

Kao (1989:97) states that numerous attempts have been made to identify essential characteristics of entrepreneurs, by using a trait approach; other research examines entrepreneurship from an economic perspective (Nooteboom, 2003; Nooteboom, 2000) and even from the entrepreneur's personality which is largely based on psychoanalytic theory. Each of these approaches is discussed briefly:

##### **4.5.2.1 Entrepreneurial characteristics from a psychological perspective**

Firstly, from a **psychological perspective**, researchers have attempted to develop an understanding of the entrepreneur by focusing on a set of personality traits and characteristics. In an extensive literature review from 1848 to date on more than 50 studies completed by the year 1977 (cf. Timmons, *et al.*, 1977), followed by further secondary and primary research (cf. Timmons, *et al.*, 1990; Timmons, 1994) on entrepreneurship, six dominant themes on the characteristics of entrepreneurs can now be presented, as indicated in Figure 4.2.

##### **4.5.2.2 Entrepreneurial characteristics from a social psychological perspective**

From a **social psychological perspective** (which places the entrepreneur within the wider social environment) acknowledgement is given to factors such as family and social background, education, religion, culture, work and general life experiences as factors that impact on the entrepreneurial effort. Data on the origins of the entrepreneur are extensively based on research conducted by Kao (1989:99), Kets de Vries

(1977:34-57), Zaleznik (1976).

#### **4.5.2.3 Entrepreneurial characteristics from a behavioural perspective**

Thirdly, from a **behavioural approach**, the entrepreneur is viewed in terms of a set of activities associated with the venture (Carson, *et al.*, 1995:50). The behavioural approach focuses on what the entrepreneur does and how well he does it; in other words, how attitudes, behaviours, management skills and experience combine in determining entrepreneurial success. Timmons (1990) suggests certain common behaviours and attitudes shared by successful entrepreneurs. The most important of these are hard-working, energetic, commitment and determination, ambition, competitiveness, excelling and winning.

In the final instance, it must be stated that the SME is characterised by its entrepreneur who is likely to dominate all decision-making throughout the enterprise. According to Carson, *et al.* (1995:81) the decision-making style of SME entrepreneurs will primarily be influenced by the entrepreneurs' culture and background and will be dominated by their personality and desire for power and influence.

Carson, *et al.* (1995:81) further state that the causal relationship of decision-making is lacking in structure and process as a consequence of SME size limitations and entrepreneurial influence. The nature of such decision-making, although simplistic and lacking in sophistication, will be opportunistic and flexible, changeable and innovative.



#### 4.5.2.4 Crystallising entrepreneurial characteristics

In 1977, Timmons, *et al.* (1977:79-83) published their seminal manuscript on the characteristics of entrepreneurs. In the specific section alluded to above, the authors state that they had "examined the available research and theory about the behavioral and other characteristics of successful entrepreneurs and new ventures". It is interesting to note that Timmons, *et al.* (1977:80) state that in distilling these entrepreneurial characteristics from the literature, "... enough agreement was at least implicit in our investigation to identify 14 dominant characteristics of successful entrepreneurs".

Timmons, *et al.* (1977:83) conclude in their research that they were unable to identify a single entrepreneur possessing all 14 of these dimensions to an extremely high degree. A summary of these 14 characteristics, which Timmons and his colleagues in 1977 believed to be the most important aspects of entrepreneurial behaviour, is given in Table 4.2. In addition, Table 4.2 also presents information on the researchers and the constructs of entrepreneurship identified by each research project. New research is also added to the table.

The special qualities of entrepreneurs, as identified in Table 4.2, have been continued to be characterised by other researchers.

Table 4.2: Characteristics of entrepreneurs

	Characteristics	Researcher(s)	Constructs
1	Drive and energy	Pickel (1963 & 1964); Bendit (1970); Timmons (1971 & 1973)	High personal energy High personal drive Capacity to work for long hours
2	Self-confidence	Pickel (1963 & 1964); Timmons (1971 & 1973); McClelland (1962 & 1965); McClelland & Winter (1969); Hornaday & Aboud (1971)	Believe in themselves Ability to achieve set goals Event in lives are self-determined major influence on own destinies Do not believe in fate
3	Long-term involvement	Timmons (1971 & 1973); McClelland (1962 & 1965); McClelland & Winter (1969)	Driven to build business make commitment to long-term project Work toward goals in the distant future
4	Money as measure	Palmer (1971); Pickel (1963 & 1964); McClelland (1962 & 1965); Timmons (1973); Atkinson (1964); Lippitt & Schenck (1972)	Salary, profits, capital gains, net worth seen as measures of how well the business is doing Motivated by the process of building a successful enterprise
5	Persistent problem-solving	Pickel (1963 & 1964); Timmons (1971); Hornaday & Aboud (1971); Atkinson (1964); Atkinson & Feather (1966)	Possess an intense level of determination, desire to overcome hurdles, solve a problem, complete a job. Not intimidated by difficult conditions Persistent, yet realistic, especially with impossible tasks
6	Goal setting	Pickel (1963 & 1964); Timmons (1971 & 1973); McClelland (1961, 1962 & 1965); McClelland & Winter (1969); Hornaday & Aboud (1971)	Ability and commitment to set clear goals Set high and challenging, but realistic goals They are doers, goal- and action-oriented have clear aim, sense of direction Great concern for time
7	Moderate risk-taking	Pickel (1963 & 1964); Timmons (1971 & 1973); McClelland (1965); McClelland & Winter (1969); Atkinson (1964); Lippitt & Schenck (1972)	Takes moderate, calculated risks Risks which provide a reasonable and challenging chance of success preferred Prefer situation where outcome is based on ability, effort and chance
8	Dealing with failure	McClelland & Winter (1969); Atkinson (1964); Atkinson & Feather (1966)	Use failure experiences as a learning exercise Establish reasons for failure to avoid repetitions Realistic in expecting difficulties See some opportunity in adversity and difficult times Seek victory from situation where other see defeat They see promise when other see pessimism
9	Use of feedback	Palmer (1971); Timmons (1971 & 1973); McClelland & Winter (1969); McClelland (1961); Roberts (1970)	As high achievers have concern over their performance Require feedback to judge progress

10	Taking initiative and seeking personal responsibility	Pickel (1963 & 1964); Timmons (1971); McClelland & Winter (1969); Hornaday & Aboud (1971); Dewing (1919); Schumpeter (1934); Kelley, Lawyer & Baumbach (1974)	Independent, highly self-reliant innovator Actively seek and take initiative Personally responsible for success/failure of venture Take the initiative to solve problems Take on leadership role where vacuum exists Prefer areas where personal impact can be measured
11	Use of resources	Timmons (1971); Hornaday & Aboud (1971); Liles (1970); Wainer (1965)	Know when and how to seek assistance Seek expertise and assistance to accomplish goals
12	Competing against self-imposed standards	Timmons (1971 & 1973); McClelland (1961 & 1962); Collins, Moore & Unwalla (1964)	Competition with a self-imposed standard (internalized)
13	Internal locus of control	McClelland & Winter (1969); McClelland (1961 & 1966); University of Toronto (1972); DeCharms (1968); Driver (1973); Rotter (1966); Shapero, Garcia-Bouza & Ferrari (1973);	Believes that personal accomplishments and setbacks within one's control and influence
14	Tolerance of ambiguity and uncertainty	Palmer (1971); Bendit (1970); Timmons (1971 & 1973); McClelland (1961 & 1962); Hoselitz (1952); Evans (1975); Guzzardi (1964)	Special tolerance for ambiguous situations making better decisions under conditions of uncertainty Live with moderate to high levels of uncertainty towards job, career and security.
15	Entrepreneurial orientation	Lumpkin & Erdogan (1999)	Locus of control Tolerance of ambiguity Risk-taking propensity Affiliation need Achievement motivation

Sources:

1. Adapted from Timmons, J.A., Smollen, L.E., Dingee, A.L.M. 1977. *New Venture Creation: A Guide to Small Business Development*. Homewood, Illinois: Irwin. 79-83, 91-92.
2. Lumpkin, G.T., Erdogan, B. 1999. If Not Entrepreneurship, Can Psychological Characteristics Predict Entrepreneurial Orientation? A Pilot Study. *Proceedings USA Small Business Enterprise (USASBE) Conference*. San Francisco.

Table 4.3 is the synthesized abstract of the work of three groups of researchers (Carland, Hoy, William, Boulton and Carland, 1984:356; Chandler and Jansen, undated:233-236; and McGrath, *et al.*, undated:115-135) who identified and recorded secondary sources on entrepreneurial characteristics.

Carland, *et al.* (1984:356) incorporate the work of 18 individual and/or group researchers in order to distinguish the attitudes and behaviours of entrepreneurs; Chandler and Jansen investigated 10 individuals and groups, while McGrath, *et al.* investigated one group.

The data, as collected from the aforementioned secondary sources, are presented in Table 4.3 in the format of identifying the authors/researchers, the characteristics of entrepreneurship identified, and the research methodology used to elicit the results.

Table 4.3: Entrepreneurial characteristics by research method				
Date	Author(s)	Characteristics	Normative	Empirical
1848	Mill <sup>1</sup>	Risk-bearing	x	
1917	Weber <sup>1</sup>	Source of formal authority	x	
1934	Schumpeter <sup>1</sup>	Innovation; initiative	x	
1954	Sutton <sup>1</sup>	Desire for responsibility	x	
1959	Hartman <sup>1</sup>	Sources of formal authority	x	
1961	McClelland <sup>1</sup>	Risk-taking; need for achievement		x
1963	Davids <sup>1</sup>	Ambition; desire for independence, responsibility; self-confidence		x
1964	Pickle <sup>1</sup>	Drive/mental; human relations; communication ability; technical knowledge		x
1971	Palmer <sup>1</sup>	Risk measurement		x
1971	Hornaday & Aboud <sup>1</sup>	Need for achievement; autonomy; aggression; power; recognition; innovative/independent		x
1973	Winter <sup>1</sup>	Need for power	x	
1974	Borland <sup>1</sup>	Internal locus of control		x
1974	Liles <sup>1</sup>	Need for achievement		x
1977	Gasse <sup>1</sup>	Personal value orientation		x
1978	Timmons <sup>1</sup>	Drive/self-confidence; goal-oriented; moderate risk-taker; locus of control; creativity/innovation	x	

1980	Sexton <sup>1</sup>	Energetic/ambitious; positive setbacks	x
1981	Welsh & White <sup>1</sup>	Need to control; responsibility seeker; self-confidence/drive; challenge taker; moderate risk-taker	x
1982	Dunkelberg & Cooper <sup>1</sup>	Growth oriented; independence oriented; craftsman oriented	x
1982	Hoy & Hellriegel <sup>2</sup>	Preference for technical versus managerial tasks	x
1983	Pavett & Lau <sup>2</sup>	Conceptual, human and political competence; technical familiarity in specialized field	x
1985	MacMillan, Siegel & SubbaNarisimha <sup>2</sup>	Familiarity with the market; a capacity for intense effort; leadership ability	
1986	Ibrahim & Goodwin <sup>2</sup>	Ability to delegate, manage customer and employee relations; interpersonal skills	x
1987	Aldrich & Zimmerer <sup>2</sup>	Networking with people who control important resources and who have relevant skills and abilities	x
1987	Hofer & Sandbergh <sup>2</sup>	Drive to see firm creation through to fruition; ability to clearly communicate goals; ability to motivate others to behave in synergistic manner	x
1987	Schein <sup>2</sup>	Strong management skills with high levels of responsibility and authority; specialist versus general manager	x
1987	Timmons, Muzyka, Stevenson & Bygrave <sup>2</sup>	Ability to recognize and envision taking advantage of opportunity	x
1989	Wheelen & Hunger <sup>2</sup>	Ability to implement strategy with programs, procedures, budgets, evaluations, etc.	x
1992	Chandler & Jansen <sup>2</sup>	Self-assessed ability to recognise opportunity	x
1992	McGrath, MacMillan & Scheinberg <sup>3</sup>	High individualism, poor distance; uncertainty avoidance; and masculinity	x

Sources: 1. Carland, J.W., Hoy, F., Boulton, W.R., Carland, J.C. 1984. Differentiating Entrepreneurs from Small Business Owners: A Conceptualization. *Academy of Management Review*. 9(2):354;  
2. Chandler, G.N., Jansen, E. *Journal of Business Venturing*. 7:233-236;  
3. McGrath, V. *et al.*, Undated. Elitists, Risktakers, and Rugged Individualists? An Exploratory Analysis of Cultural Differences between Entrepreneurs and Non-Entrepreneurs. *Journal of Business Venturing*. 7:115-135  
In: Timmons, J.A. 1994. *New Venture Creation*. Burr Ridge, Illinois: Irwin. 189.

### 4.5.3 Consolidating entrepreneurial characteristics

Timmons (1994:190-197) revisits the dimensions of entrepreneurship he and his colleagues had identified in 1977. After having carefully consulted secondary sources on entrepreneurial characteristics, Timmons (1994:190-191) states that "there are 'themes' that have emerged from what successful entrepreneurs do and how they perform". As with his (and his colleagues') earlier research (cf. Timmons, *et al.*, 1977:79-83; Timmons, *et al.*, 1990:165-170), Timmons (1994:191) unequivocally states that there is general consensus that six dominant themes have emerged from the original 14 characteristics, as postulated earlier.

These six themes are: 1) commitment and determination; 2) leadership; 3) opportunity obsession; 4) tolerance of risk, ambiguity and uncertainty; 5) creativity, self-reliance and the ability to adapt; and, 6) motivation to excel. These six dominant themes, together with their concomitant attitudes/behaviours, are presented in Table 4.4.

Table 4.4: Six themes of desirable and acquirable attitudes and behaviours	
Theme	Attitude or Behaviour
Commitment and determination	Tenacity and decisiveness, able to decommit/commit quickly Discipline Persistence in problem-solving Willingness to undertake personal sacrifice Total immersion
Leadership	Self-starter; high standards but not perfectionists Team builder and hero maker; inspires others treat others as you want to be treated Share the wealth with all the people who helped to create it Integrity and reliability; builder of trust; practices fairness Not a lone wolf Superior learner and teacher Patience and urgency

Opportunity obsession	Having intimate knowledge of customers' needs Market driven Obsessed with value creation and enhancement
Tolerance of risk, ambiguity and uncertainty	Calculated risk taker Risk minimiser Risk sharer Manages paradoxes and contradictions Tolerance of uncertainty and lack of structure Ability to resolve problems and integrate solutions
Creativity, self-reliance and ability to adapt	Non-conventional, open-minded, lateral thinker Restlessness with status quo Ability to adapt and change; creative problem-solver Ability to learn quickly Lack of fear of failure Ability to conceptualise and "sweat details" (helicopter mind)
Motivation to excel	Goal-and results orientation; high but realistic goals Drive to achieve and grow Low need for status and power Interpersonally supporting (versus competitive) Aware of weaknesses and strengths Having perspective and sense of humour
Source: Timmons, J.A. 1994. <i>New Venture Creation</i> . Burr Ridge, Illinois: Irwin. 191.	

#### 4.5.4 Stipulation on the consolidation of entrepreneurial characteristics

At this stage it must be stated explicitly that none of the original 14 characteristics have been eliminated; instead, these 14 characteristics have been nestled into the six dimensions of entrepreneurs. For example, "*Persistent problem solving*" (Timmons, *et al.*, 1977:81) has now been included under "*Drive and energy*" (Timmons, 1994:191-192). Similarly, the characteristic of the "*Use of feedback*" in the 1977 study (1977:82) is now nestled under the characteristic of "*Creativity*" (1994:196). In this way, all 14 "original themes" have been incorporated and accommodated in the 6 dominant themes. Table 4.5 cross-references the linkages between the 1977 and 1994 sets of dimensions, as identified in Table 4.2 and Table 4.4.

Table 4.5: Comparative dimensions of entrepreneurial characteristics	
1977 STUDY <sup>1</sup>	1994 STUDY <sup>2</sup>
Drive and energy	Motivation to excel
Self-confidence	Leadership Creativity, self-reliance and ability to adapt
Long-term investment	Commitment and determination
Money as measure	Motivation to excel Leadership
Persistent problem-solving	Commitment and determination
Goal-setting	Motivation to excel Opportunity obsession
Moderate risk-taking	Tolerance of risk, ambiguity and uncertainty
Dealing with failure	Commitment and determination Tolerance of risk, ambiguity and uncertainty
Use of feedback	Creativity, self-reliance and ability to adapt
Taking initiative	Leadership Creativity, self-reliance and ability to adapt
Use of resources	Leadership Motivation to excel
Compete against self-imposed standards	Creativity, self-reliance and ability to adapt
Internal locus of control	Leadership
Tolerance of ambiguity and uncertainty	Tolerance of risk, ambiguity and uncertainty

Source: 1. Timmons, J.A., Smollen, L.E., Dungee, A.L.M. 1977. *New Venture Creation: A Guide to Small Business Development*. Homewood, Illinois: Irwin. 79-83.  
2. Timmons, J.A. 1994. *New Venture Creation*. Burr Ridge, Illinois: Irwin. 189.

In addition to the summary of the characteristics exhibited by transformational leaders, Figure 4.2 also presents a summary of the characteristics exhibited by entrepreneurs in SMEs.

The aim is to determine the extent to which linkages and similarities can be established between the characteristics unique to transformational leaders and those characteristics unique to SME entrepreneurs.



Characteristics	Operational definition	
	TRANSFORMATIONAL LEADERS	ENTREPRENEURS IN SMEs
	<i>Ability to inspire and motivate followers to achieve results greater than originally planned and for internal awards</i>	<i>Creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction</i>
Charisma	x	
Inspiration	x	
Intellectual stimulation	x	
Individualised consideration	x	
Commitment and determination		x
Leadership		x
Opportunity obsession		x
Taking initiative and personal responsibility		x
Tolerance of risk, ambiguity and uncertainty		x
Motivation to excel		x

Figure 4.2: Characteristics of transformational leaders and SME entrepreneurs

For example, from the context of transformational leadership a link can be made to individual (or a set of) characteristics of entrepreneurs to establish if there are characteristics that are both unique and/or typical to both transformational leadership and entrepreneurs.

The cross-correlation of these relationships, or absence of any direct link, is based on indicators from the literature, logical conclusions and insight into these processes. Each of these characteristics is discussed in more detail in the section that follows.

With the identification of this list of comparisons, as extracted from Figure 3.2, Phase II of the model can be conceptualised. The list of comparisons, or leadership co-producers in SMEs, should manifest themselves as forms of strategic behaviour in SMEs.

According to D'Amboise in De Coning (1988:39) the manifestations of strategic planning models in SMEs can be presented in various types. D'Amboise (1985) distinguishes between signal models, competitive advantage models, incremental models, synoptic models and future-creative (holistic) models.

Since the entrepreneur is, to some extent, compelled to react to stimuli from the external environment **signal models** denote a form of forced planning; the latter which is indicative of reactive, as opposed to pro-active planning.

The **competitive advantage models** advocate a continuous scrutinizing of the external environment in order to identify and gain competitive advantages on the basis upon which the environmental variables function.

**Incremental models** concentrate on the formulating of new strategies with current strategies as the points of departure.

**Synoptic models** promote the setting of objectives to formulate and evaluate strategies. In addition, these models address the problems facing the enterprise as well as the motivating factors of achieving the final goal.

**Future-creative models** (or holistic models) concentrate on the potential of the enterprise to change the environment, with particular emphasis on the ability of the enterprise to adapt to a changing environment.

De Coning (1988:39) states that, even though the respective strategic planning models for SMEs (as presented in the literature) differ in complexity, they do exhibit significant similarities.

The problem the researcher attempts to investigate relates to the approach (i.e. the potential of the enterprise to transform and adapt to the environment) that the set of leadership co-producers should also be addressed from a theoretical perspective with the basic premise that some of the above manifestations of SME behaviour (in the context of a holistic approach) have a better chance of success. The objective of the empirical research therefore, is to:

1. develop a measuring instrument to question SME entrepreneurs on transformational behaviour in their organisations, because a classification in terms of this investigation needs to be made; and,
2. determine the extent to which SME entrepreneurs comply with the elements of the profile of leadership co-producers.

At this stage of constructing the conceptual model, most of the antecedents have been accommodated and positioned to facilitate the primary research activities.

From here the point of view and the assumptions are:

The final outcomes of SME strategic behaviour will be positive if the entrepreneur is also a transformational leader in the context of the SME, given that the uncontrollable environmental influences are positive.

Given the uncontrollable influence of the environment, the conceptual approach focuses on investigating the nature of possible relationships between profile elements of transformational leadership and intermediate outcomes in the format of strategic behaviour<sup>9</sup> of the SME. This approach is based on the premises that SMEs will stand a greater probability to manifest themselves in terms of final outcomes (defined as business success) if strategic behaviour is holistic, provided that the environmental factors remain positive.

#### **4.5.5 A theoretical model developed for empirical testing**

The extent to which SME entrepreneurs exhibit strategic transformational behaviour, is dependent on a multiplicity of variables. Some of these variables are controllable, whilst others may be beyond the scope of influence and control of the entrepreneur.

Controllable variables appear to relate to factors internal to the entrepreneur. For example, literature unequivocally indicates that transformational leadership is a

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<sup>9</sup> In their conceptual examination of strategic and transformational behaviour, Pawar and Eastman (1997:83-84) view these terms as synonymous. This view is also held by Hersey, *et al.* (2001:417). Pawar and Eastman's assertion is based on the fact that one of the main focal areas of strategic leadership involves the shaping of an organisation's strategy, structure and processes in order to achieve organisational effectiveness; these focal areas, as argued by Pawar and Eastman, are also the same for transformational leadership.

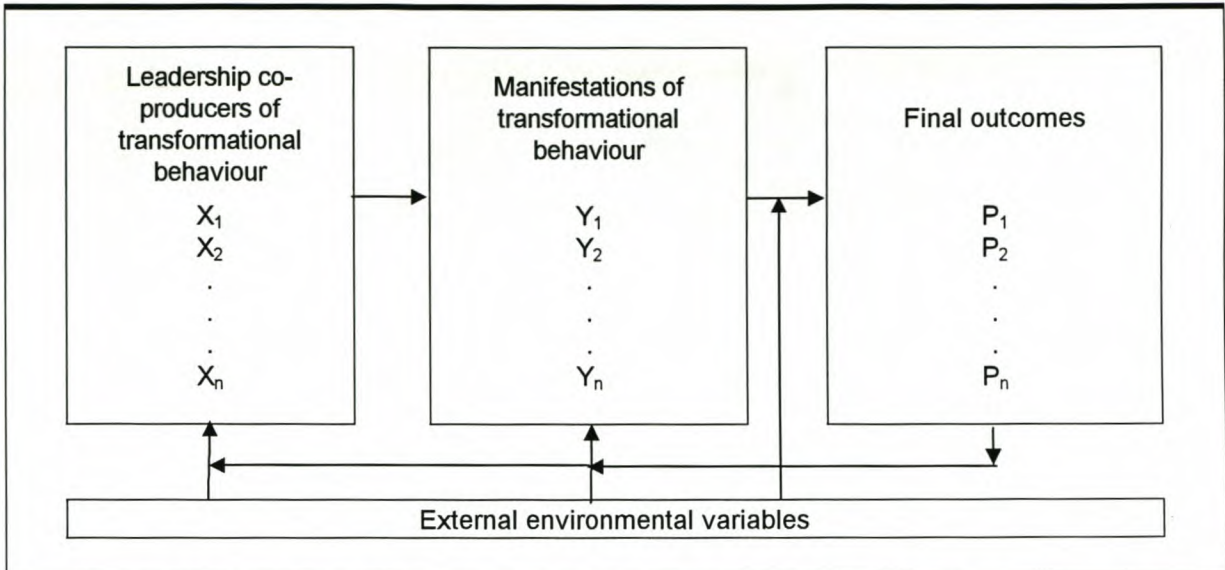
behavioural process which can be learned (cf. par. 3, p. 16).

The implication of the aforementioned is tantamount to the fact that SME entrepreneurs can learn the techniques and obtain the qualities they need to become transformational leaders. Viewed differently, SME entrepreneurs can become transformational leaders who inspire, energise and intellectually stimulate their employees. Uncontrollable factors are primarily external forces over which the entrepreneurs can exert limited direct influence. Examples of such external variables include, *inter alia*, the economy, technology, socio-political and international influences.

However, De Coning (1988:52) states that the extent to which external variables affect SMEs, are indeed influenced by the entrepreneurs' ability to understand their external environment.

He further states that since pro-active behaviour by entrepreneurs ensures the optimal advantage from external influences, it is not desirable to concentrate on the external factors as such, but rather on the entrepreneurs themselves and the characteristics that will enable them to react positively towards the external variables.

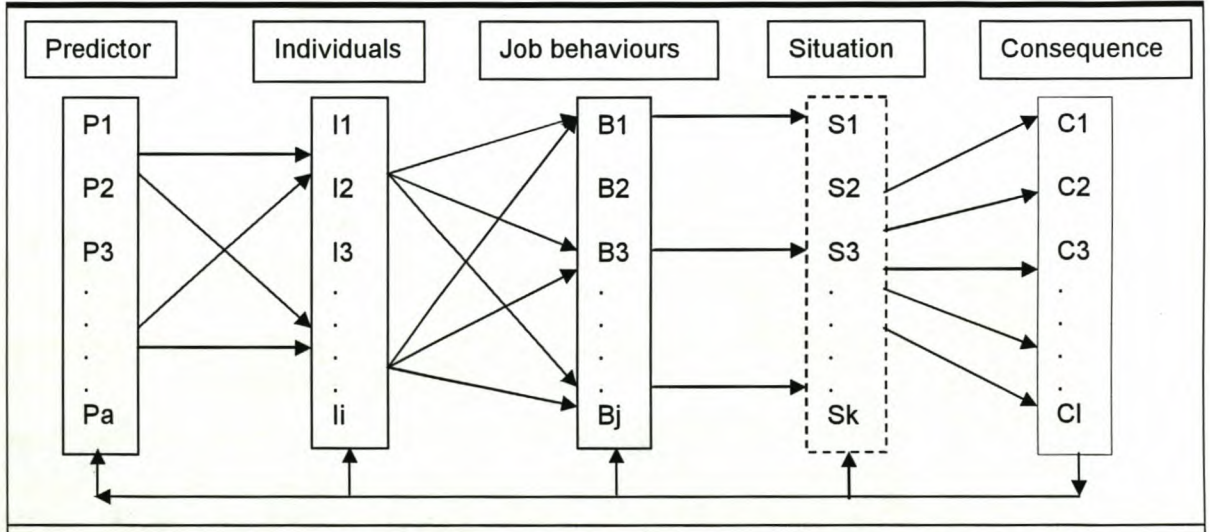
With respect to the internal variable factors, the manifestation of strategic transformational behaviour is intertwined with the co-producers of transformational behaviour in SMEs. In Figure 4.3 the above interrelationships are presented in the form of a conceptual model. Phase II of the model (Figure 4.3) is based on De Coning's conceptual model of business performance (1988:52).



Source: Adapted from De Coning, T.J. 1988. 'n Ondersoek na die moontlikheid en aanwendbaarheid van ondernemingskenmerkgebaseerde kategorisering van kleinsakelui in Weskaapland. Universiteit van Stellenbosch. Ongepubliseerde Ph. D.-tesis. 52.

Figure 4.3: Conceptual model on transformational behaviour in SMEs

It is noteworthy that (in many instances) this model conforms to Dunette's prediction model, as cited in Dreher and Sackett (1983:9-14), which relates to test validation and selection research (see Figure 4.4).



Source: Adapted from Dunette, M.D. 1963. A Modified Model for Text Validation and Selection Research. In: Dreher, G.F., Sackett, P.R. 1983. *Perspectives on Employee Staffing and Selection: Readings and Commentary*. Homewood, Illinois:Irwin. 11.

Figure 4.4: A modified model for test validation and selection research

Dunette (1983:10-11) states that his model incorporates the types of behaviours which, after having passed through a situation filter, can lead to different organisational consequences.

In this respect Dunette (in De Coning, 1988:53) suggests that an approach be followed whereby the relationship between leadership co-producers and manifestations of SME behaviour can be determined.

This proposed conceptual model consists of the integrating of a minimum set of variables ( $X_1, X_2, \dots, X_n$ ), characterised as the leadership co-producers in SMEs and a second set of variables ( $Y_1, Y_2, \dots, Y_n$ ) characterised as the manifestations of transformational behaviour in SMEs. This relationship is depicted in Figure 4.3.

The expected results from the application of this approach are stated in the following principle:

There is a better probability of business success when SMEs will be characterised through manifestations of strategic transformational behaviour if they were to adhere to the following requirements of idealised influence (i.e. vision and charisma), individualised consideration, intellectual stimulation and individualised consideration.

It should be noted that the Dunette model (Figure 4.4), as well as the derived model by De Coning (Figure 4.3) are typical of systemic models, whereby a multi-directional, dynamic interrelationship exists between the various elements of the models. This is in accordance with Senge's views (1991) on feedback loops and reinforcement loops. For

example, in the Dunette model, job behaviour after passing through the situation filter, manifests as outcomes (consequences), which in turn reinforce job behaviour – a clear example of systemic interaction. Similarly, in the De Coning model, transformational behaviour (Figure 4.3) manifests as final outcomes (consequences), which in turn reinforce strategic behaviour.

#### **4.6 ELEMENTS OF QUALIFICATION IN THE MODEL**

The premise for the research model, with reference to entrepreneurs and transformational leaders, is based on the following elements:

- A probabilistic relationship exists between the characteristics typically associated with the "ideal" SME entrepreneur and the characteristics of a transformational leader.

In the event of the above assumption being true, three possible outcomes are expected.

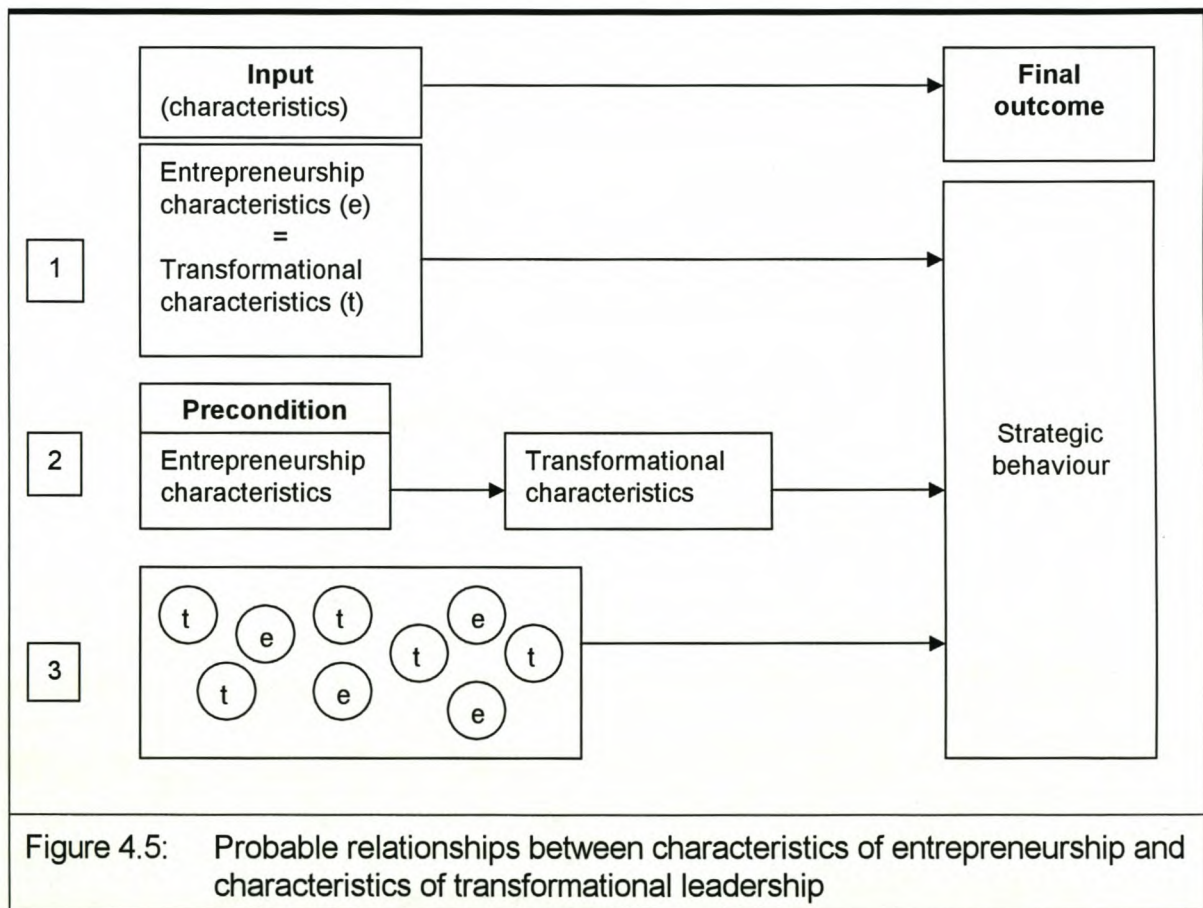
These are:

- 4.6.1 that the business of the entrepreneur who complies with the attributes of entrepreneurs will be characterised by typical strategic behaviour; and, as a result of 4.6.1 above,
- 4.6.2 that the business of the entrepreneur who simultaneously adheres to the attributes of transformational leadership, will be characterised by similar behaviour; and,
- 4.6.3 that the characteristics of the entrepreneur are intertwined with the characteristics of the transformational leader, either in that:



- these characteristics are identical; or,
- the characteristics of the entrepreneur are preconditions for transformational leadership attributes; or,
- both transformational leadership characteristics and entrepreneurship characteristics are co-producers of strategic enterprise behaviour.

The above intertwined relationship between characteristics of entrepreneurship and the characteristics of transformational leadership is presented in Figure 4.5.



## 4.7 SUMMARY

The focus of this chapter was on specific aspects of leadership; more specifically, the leadership styles of charismatic, transactional and transformational leaders have been discussed and critiqued.

Transformational leadership and transactional leadership should not be viewed as opposing approaches to getting things done. Instead, transformational leadership is built on top of transactional leadership (Humphries and Einstein, 2003:86; Robbins, 2000:471; Eisenbach, *et al.*, 1999:80; Seltzer and Bass, 1990:693-703; Bass, 1985b:26-40).

Transformational leadership, as found in large firms can be applied to entrepreneurial leaders in SMEs. Since significant transformation is being brought about in organisations by changes in technology, international competition, workforces which become more diverse, literature proposes that this type of leadership is becoming more important to organisations (*Strategic Direction*, 2002:5-7).

Similarly, there is a need for a "new" style of leadership in South African SMEs, especially those enterprises which display the capacity and capability to enter and compete in world markets.

The conceptual model on strategic transformational leadership in SMEs presents a paradigm which, if applied appropriately, will in all probability, lead to organisational innovation, direction setting, a motivated workforce, global alliances, team-building and

long-term survival - these are all potential outcomes of the implementation of transformational leadership practices in SMEs. This model accommodates the qualities of a transformational leader which will enable those leaders/entrepreneurs (in firms with growth potential) to take their organisations from average performance levels to levels comparable to world-class leadership and competitiveness.

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## **CHAPTER 5: THE DEVELOPMENT OF AN INSTRUMENT TO MEASURE TRANSFORMATIONAL LEADERSHIP AND ENTREPRENEURSHIP IN SMEs**

### **5.1 INTRODUCTION**

This chapter describes the development of a questionnaire for the measurement of transformational leadership in SMEs in terms of the transformational leadership dimensions (see par. 3.11.1) and the entrepreneurial dimensions (see par. 3.11.2), as summarised in Figure 3.2.

In all, literature identifies four dimensions of transformational leadership and six dimensions for entrepreneurs. These two sets of dimensions form the basis for the development of a measuring instrument on characteristics of transformational leadership and entrepreneurship in SMEs.

This chapter describes the development a preliminary questionnaire and the subsequent creation of the final questionnaire through the selection of items in order to achieve acceptable reliability and validity.

### **5.2 CONSTRUCTS OF TRANSFORMATIONAL LEADERSHIP**

The construct underlying each dimension of transformational leadership is summarised in Table 5.1. These constructs were then utilised as the basis on which questionnaire items on transformational leadership were produced for the preliminary questionnaire.

Table 5.1: Constructs of transformational leadership
<i>Charisma (Idealised Influence):</i> The ability to articulate and provide vision and a sense of mission, instilling pride and value in the firm, and gaining respect and trust.
<i>Inspiration:</i> The extent to which the leader communicates high expectations, using symbols to focus efforts and to express important issues in simple ways.
<i>Intellectual stimulation:</i> The degree to which the leader promotes intelligence, rationality and careful problem-solving.
<i>Individualised consideration:</i> The extent to which the leader gives personal attention, treats employees individually, coaches and advises them.

### 5.3 CONSTRUCTS OF ENTREPRENEURSHIP

These characteristics (dimensions) are identified in Table 5.2. In addition, the researcher has developed the constructs for each of these 6 characteristics, as presented in the same Table. The construct underlying each dimension of entrepreneurship is summarised in Table 5.2.

Table 5.2: Constructs of entrepreneurship
<i>Commitment and determination:</i> The ability of the entrepreneur to overcome extraordinary obstacles and to compensate for other weaknesses.
<i>Leadership:</i> An experienced person with an intimate knowledge of technology and the marketplace, sound management skills and a proven track record
<i>Opportunity obsession:</i> Total immersion in the opportunity; oriented to the goal of pursuing and executing an opportunity for accumulating resources
<i>Tolerance for risk, ambiguity an uncertainty:</i> The ability to manage paradoxes and contradictions. A special tolerance for ambiguous situations and for making decisions under conditions of uncertainty
<i>Creativity, self-reliance and ability to adapt:</i> The high levels of uncertainty and very rapid rates of change require highly adaptive forms of organisation
<i>Motivation to excel:</i> Entrepreneurs are self-starters who appear driven internally by a strong desire to compete against their own self-imposed standards and to pursue and attain challenging goals

The constructs in Table 5.2 were utilised as the basis on which questionnaire items on entrepreneurial characteristics were produced for the preliminary questionnaire.

## 5.4 CREATION OF AN ITEM POOL FOR THE QUESTIONNAIRE

The first step in the process of developing a questionnaire, by means of which each of the transformational leadership characteristics and entrepreneurial characteristics could be measured, was to develop a pool of items (Scott and Wertheimer, 1967:132-134).

### 5.4.1 Selection of panel

The principle of the questionnaire was to develop a sufficiently large pool of items for each of the ten dimensions (i.e. four dimensions on Transformational Leadership and six dimensions on Entrepreneurship), to allow for the omission of ambiguous and uncertain statements. A panel of 15 people (see paragraph below) was requested to indicate the extent to which each statement (item) described the dimension under review. The panel was requested to inspect and evaluate each statement in order to ensure that the items were clear and that no overlaps occurred and that no items were repeated (Smit, 1991:155). Table 5.3 presents an abstract of such questions.

Table 5.3: An example of an item pool to develop a construct of Transformational Leadership				
1. <i>Charisma (Idealised influence)</i> : The ability to articulate and provide vision and a sense of mission, instilling pride and value in the firm, and gaining respect and trust.				
	Items as possible description of the above dimension	Yes	No	Do not know
1	I talk to those I lead about my most important values and beliefs			
2	I display conviction in my ideals, beliefs and values			
3	I clarify the central purpose underlying our actions			
4	I consider the moral and ethical consequences of my decisions			
n	I display extraordinary talent and competence in whatever I undertake			

To assist in the refinement of the questions developed for the preliminary questionnaire (Addendum 3), a panel of fifteen people was identified through referrals by a financial institution specialising in SME financing, as well as through personal contacts by the researcher. Of the fifteen panellists, 8 were university academics who were all specialists in the disciplines of management, leadership and industrial psychology. Seven SME entrepreneurs, who adhered to the definition of SMEs (cf. *statistical definition* in chapter 1), were requested to review the questionnaire from a practitioner's perspective. A cover letter inviting their participation accompanied each preliminary questionnaire.

Table 5.4 presents a summary of the distribution of items per dimension. For the ten dimensions, a total number of 112 items were produced, i.e. on average 11 items per dimension.

Dimension	Number of items in pool	Subtotal
<i>Transformational leadership</i>		
1. Idealised influence	12	
2. Intellectual stimulation	11	
3. Inspirational leadership	13	
4. Individualised consideration	<u>10</u>	<u>46</u>
<i>Entrepreneurship</i>		
5. Commitment and determination	11	
6. Leadership	12	
7. Opportunity obsession	10	
8. Tolerance of risk, ambiguity and uncertainty	11	
9. Creativity, self-reliance and ability to adapt	12	
10. Motivation to excel	<u>10</u>	<u>66</u>
Total		112

In creating this pool of items, the standard set of rules for item writing was observed (Oppenheim, 1992:128-130, 179-181).

The questionnaires were analysed for grammatical correctness and all tabulated to identify those responses which presented the biggest possible chance for ambiguity. These items were removed. In addition, items that were indicated to be corrected by the panel were corrected and retained in the pool (Oppenheim, 1992:179-181, Scott and Wertheimer, 1967:133).

#### **5.4.2 Developing the final questionnaire**

The above evaluation resulted in 85 items (or 75,9% of the total) being retained in the final questionnaire. There were between six and ten items per dimension.

The number of items per dimension satisfied the requirement that approximately one and a half times as many items should be included as planned for the final questionnaire (Smit, 1991:155).

In writing these items for inclusion into the pool of the final questionnaire, the constructional steps for pool items (Kline, 1986:113-114; Nunnally, 1978:605) were followed in that approximately half the questions were written as positive statements, with the other half as negative statements. The latter procedure is also useful in combating acquiescence (Oppenheim, 1992:181).



These 85 items were subsequently randomly reorganised into a Likert-type scale which consists essentially of statements, followed by seven-point rating scales indicating the participants' agreement with them (cf. Figure 5.1). Nunnally (1978:595) and Klein (1986:114) both assert that reliability increases with the number of scale points, but tends to level off at about seven points. By so doing, a balance was struck between reliability on the one hand and practical common sense on the other, which dictates that a large number of scale points would cause respondents difficulty in deciding which point to select. Nunnally (1978:594-595) also maintains that a graphic scale with numbers is preferable. Finally, on the advice of the supervisors and Bureau of Market Research the questionnaire was translated into Afrikaans. To satisfy the requirement of reliability (as outlined above) a questionnaire, as depicted in Figure 5.1, was constructed (Addendum 5).

	Completely disagree	Mostly disagree	Slightly disagree	Undecided	Slightly agree	Mostly agree	Completely agree
	1	2	3	4	5	6	7
I encourage those I lead to express their ideas and opinions							

Figure 5.1: The item form of the questionnaire

## 5.5 POPULATION COMPREHENSION AND SAMPLE SELECTION PROCEDURE

In order to incorporate SMEs on a national basis, it was decided to utilise the comprehensive database of the Bureau of Market Research (BMR) at the University of South Africa. During a first round of discussions with the statistician at the BMR, a full list of their database was requested to enable the researcher to develop a

procedure of selecting a representative sample. It was decided to focus on Status Code 5 enterprises in the BMR databank - this category of enterprises is in compliance with the definition for small and medium-sized enterprises as promulgated by the Small Business Act of 1996 (Act #102 of 1996). Since the other two quantitative factors (i.e. annual sales and net assets) can be influenced by economic factors such as inflation and interest rate fluctuations, it was decided to use the number of employees as the criterion for selecting the sample.

The decision as outlined above is also in support of the argument (as put forward in par 1.5, p. 5) pertaining to SMEs that are most likely to benefit from sound transformational leadership, namely those SMEs with growth potential. For this purpose, the size of the SME comes into play in terms of its inclusion in the sample. Informal and survivalist enterprises (par. 1.5, pp. 5-6) are therefore excluded. The minimum size of an SME, as a yardstick for inclusion in this study, is also indicative of the fact that individual sample elements should have achieved a relative measure of success, i.e. they should have successfully attained a certain size before they can be included in this study.

Furthermore, Dunette's model and the questionnaire used in this research study focus on behavioural aspects of entrepreneurs in SMEs and not on the elements used in the definition of SMEs, namely the size of the enterprise, the number of employees, capital employed.

Enterprises in the stated BMR category of Status Code 5 constitute 71% of the BMR database of firms in the South African economy (cf. Chapter 1, par. 1.5). In a second

round of discussions those industries in which SMEs have a high concentration were identified; for example, industries with minor and inconsequential representation such as mining and financial were excluded. Subsequently, the six industry clusters selected were as follows: construction, export, import, manufacturing, trade (retail and wholesale) and business services, as indicated in Table 5.5.

Industry/ Cluster	BMR Universe	Industry % of Universe	Sample size
Construction	4 106	9	274
Export	1 400	3	92
Import	3 500	7	213
Manufacturing	9 860	20	609
Services	3 000	6	136
Trade	26 500	55	1 675
TOTAL	48 366	100	3 000

From its database the BMR was requested to draw a random sample of a total of 3 000 SMEs (cf. Czaja and Blair, 1996), as indicated per industry in Table 5.4. After the first round of cleaning the requested data set of 3 000 SMEs (e.g. duplicate addresses, postal and street addresses for the same enterprise), shortages occurred in the construction, manufacturing and services industries. These deficiencies were corrected after a second request to the BMR presented a sufficient number of SMEs to comply with the required sample size. These procedures were completed in October 1999 and printing, collating and labelling of the questionnaires was completed during the first week of November 1999. During the second week of November 1999, 3 000 questionnaires were mailed to SMEs in South Africa.

### 5.5.1 Follow-up

By closing date of November 30 1999, 415 useful questionnaires (13,8% of the universe) had been received. In anticipation of an expected slow/low return, a concerted and concentrated telephonic follow-up was started immediately upon the closing date. The fortnightly period of follow-up with a final acceptance date of January 31 2000, yielded an additional 253 useful questionnaires, culminating in a sample of 668 units, or 22,3% of the universe.

The latter figure of useful and completed returns is regarded as sufficient in this study in order to provide the necessary precision in estimation. In addition to the number of useful questionnaires returned, a further 283 unopened and unusable questionnaires were returned with reasons of address unknown, business moved, business closed, wrong address, refusal to participate, and grossly incomplete. During the period of March through August 2000 the data were coded, tested, recorded and analysed by means of the SPSS programme.

Industry	Questionnaires mailed		Questionnaires returned		% returned per Industry
	N	%	N	%	
Construction	274	9,1	74	11,1	27,0
Export	92	3,1	30	4,5	32,6
Import	213	7,1	45	6,7	21,1
Manufacturing	609	20,3	132	19,8	21,7
Service	136	4,5	35	5,2	25,9
Trade	1 675	55,8	352	52,7	21,0
<b>Total</b>	<b>3 000</b>	<b>100,0</b>	<b>668</b>	<b>100,0</b>	<b>22,3</b>
<b>Unusable returns</b>			<b>283</b>		
Address unknown			207		
Business relocated			26		
Business closed			41		
Refused to participate			5		
Questionnaire grossly incomplete			4		

The returns by each of the six sectors in the sample of questionnaires are presented in Table 5.6.

## **5.6 SCORING THE QUESTIONNAIRE**

The questionnaire was scored as follows: For positive statements, the actual scale numbers of the respondents were taken. For negative statements the scores were computed as the scale steps, plus one (7+1) minus the actual scale number selected by respondents (Kline, 1986:115). The scoring for the negatively-phrased items was reversed. Summing the scores obtained in this way on all the items arrived at the respondents' total score on a dimension. It should be noted that the data thus obtained might be treated as interval level measurements (Scott and Wertheimer, 1967:120).

## **5.7 ITEM-ANALYSIS OF THE QUESTIONNAIRE**

According to Nunnally (1978) the aim of item analysis is to produce a homogeneous and unifactorial test, the rationale of which is simple namely, each item should measure what the test measures and correlate with each other, and therefore with the test. Only then is confidence obtained that the characteristic intended to be measured is actually being measured. If the average inter-correlation of the items is high, then the same characteristic is being measured with the items and, therefore, it can be stated that the test is internally consistent and homogeneous.

To determine the degree of homogeneity, item correlations between item score and the total test scores must be examined. This statistic is then computed for each of the items. The item-total correlation indicates the extent to which participants' response on an item agrees with their response on the other items in the test, as indicated by the total score. If an item has a high item-total correlation, it means that respondents who endorsed the item were inclined to endorse the other items too, thus obtaining high total scores and *vice versa* (i.e. respondents who "unendorsed" the item, were inclined to "unendorse" the other items too, thus obtaining low total scores).

From the nature of the item-total correlation it follows that, if only items with high item-total correlations are included in a test, any given participant will tend to perform consistently in all these items - either "agree" with most of the items or "disagree" with most of them. Item-total correlation is therefore an indication of the extent to which an item and total scores are assessing the behaviour in the same way and indicate the extent of homogeneity or internal consistency within the test. The test as a whole will thus tend to be internally consistent (or homogeneous), which means the items will tend to measure the same attribute.

If, however, a participant's performance varies entirely from one item to the next, it is an indication that the items are measuring different attributes. Generally seen, items should be endorsed to a high degree by those obtaining high total scores on a Likert-type scale. If the opposite occurs, low total scorers highly endorse an item, and then the item and the test are not measuring the same behaviour, or the item could be ambiguous or incorrectly understood by respondents.

### 5.7.1 Item-total correlation-formulae

There are a number of different indices available for correlating items with the total score in item analysis. However, for the purposes of this study, the Pearson product moment correlation will be applied. Briefly, the most important features of this index are:

- *Pearson's product moment correlation (r)*: This is the standard correlation coefficient. This parametric technique gives the measure of the strength of association between two variables and is regarded by Nunnally (1978) as the best to use for items with multi-point response modes. However, with five-point scales (or below), the product moment correlation (PM) is dubious. The formula for the product moment correlation coefficient is the following:

$$r = \frac{\Sigma xy}{s_x \cdot s_y (n - 1)}$$

where:       $y$ = the total test  
               $x$ = the item  
               $n$ = the number of data pairs

- *Point-biserial correlation ( $r_{p.bis}$ )*: This is the most suitable method where one variable is continuous and the other is a genuine dichotomy (e.g. right/wrong, male/female, yes/no). Numerically, it is equivalent to the *Pearson product moment correlation*.

The formula is:

$$r_{p.bis} = \frac{\bar{X}_p - \bar{X}_t}{s_t} \cdot \sqrt{\frac{p}{q}}$$

where:  $\bar{X}_p$  = Mean score on continuous variable of successful group on dichotomous variable  
 $\bar{X}_t$  = Mean score on continuous variable of unsuccessful group on dichotomous variable  
 $s_t$  = standard deviation on the continuous variable of the total group  
 $p$  = proportion of subjects in successful group on the dichotomous variable  
 $q$  = 1 - p

## 5.8 RELIABILITY OF THE TEST AND ITS RELATION TO ITEM-TOTAL CORRELATION

The concept of reliability is being interpreted according to the theory of true and error scores (or the "classical theory" as it has recently been referred to) (Ghiselli, Campbell and Zedeck, 1981). The assumptions made by this theory will be briefly discussed here, as this is the point of departure from which the alpha-reliability will be interpreted in this study. First, the technical formulae for the alpha are described.

Reliability can be cast in terms of the coefficient of correlation between parallel tests (tests that measure the same construct to the same degree, but differing in content) (Ghiselli, Campbell and Zedeck, 1981). In practice however, it seldom happens that two parallel tests of the same measure can be obtained. Furthermore, due to financial constraints, it even more rarely happens that a sample can be tested twice. Therefore, investigators/researchers are compelled to estimate reliability on only the available one sampled test. The commonly-known Cronbach's alpha-coefficient is used for this estimation.

In this method, a single test is divided into two parts in such a manner that they may be regarded as two parallel test halves (Huysamen, 1996). The correlation between the



two parts will then provide an estimate of the parallel-forms reliability of either of the test halves. This however, is only the reliability of any one the halves. The reliability of the composite of the two halves is then determined by means of the so-called *Spearman-Brown prophecy formula*. The split-half approach, however, was criticised because of its lack of uniqueness. Instead of giving a single coefficient for a test, the procedure gives different coefficients depending on which items are grouped when the test is split in two parts. In the case of a 10-item test, there are altogether 126 different pairs of test halves. If one split may give a higher coefficient than another, one can have little faith in whatever result is obtained from a single split. Intuitively, it makes sense to maintain that the mean of all these split-half coefficients will provide a better estimate of the reliability of the test than any single split alone.

According to Cronbach (1951), the alpha-coefficient, is the average of all the possible split-half coefficients for a given test. Thus, in a sense, the alpha-coefficient is the average intercorrelation between all the items and the test as a whole. The formula is presented as follows:

$$\text{Coefficient } \alpha = \frac{n}{n-1} \left[ 1 - \frac{\sum \sigma_i^2}{\sigma_x^2} \right]$$

where:  $n$  = number of items in the scale;  
 $\sigma_i^2$  = sum of the item variances; and,  
 $\sigma_x^2$  = variance of the total test scores.

The alpha reliability coefficient (which is used in each of the Entrepreneurship and Transformational Leadership constructs in Chapter 6) is a measure of internal consistency for each dimension. According to Ghiselli, Campbell and Zedeck (1981) it

can be shown algebraically that items with high item-total correlations lead to tests with high reliabilities (i.e. a high item-total correlation means higher item variances, which results in higher alpha coefficients).

## 5.9 PROBLEMS WITH ITEM ANALYSIS

In terms of item analysis, problems with this procedure have occurred in Chapter 6, namely the problem of circularity and the problem of invalid rejections. Each of these problems is discussed in more detail:

- **Circularity-problem (Kline, 1986):** If all (or most) of the items in the test were wide off the mark and did not measure what was intended to be measured, the total score in this case will not be a valid indication of the amount of the particular characteristics/traits that the respondents possess. Therefore, having found by means of item analysis a set of homogeneous items, evidence must still be presented concerning their validity. If, for obvious reasons, uncertainty about the validity of some items exists, caution must be taken not to cluster these items together in a scale or subscale.
- **Invalid rejections due to unequal representation of the dimensions in the total score (Nunnally, 1978:263).** When there are big differences in the number of items within the different groups of items within a test, item analysis can easily discard the items within the smaller group. The reason for this is that the total score mainly reflects the dimension represented by the bigger group. The items that are part of the smaller group will correlate poorly with the total score to the extent that the total

score lacks representation of the items belonging to the smaller group/groups. Since only one kind of item (representing one dimension) is then retained, the item-test correlation, and therefore homogeneity or reliability, of the selected items will be raised, but the content validity will be lower, since the test does not measure the trait as well as it did originally (when it was more heterogeneous).

The following example, presented by Nunnally (1978), will make this clear: suppose success in a particular occupation requires a good vocabulary as well as the ability to perform arithmetic computations accurately. A single test is compiled, consisting of 20 vocabulary items and 5 arithmetic items. The arithmetic items will then correlate poorly with the scores on the total test (as it reflects mainly knowledge of words) and item analysis will accordingly reject the arithmetic items. Since only one kind of item (vocabulary) is then retained, the item-test correlation, and therefore, homogeneity, of the selected items will be raised, but the content validity will be low.

## **5.10 SUMMARY**

The foci of this chapter concentrated on three, inter-related sections. Firstly, it sought to identify the dimensions and constructs of both transformational leadership and entrepreneurship used in the questionnaires and explained the development of an item pool for use in both the preliminary and final questionnaires. The technique of question formation in the final questionnaire was developed in accordance with accepted statistical procedures. Secondly, this chapter explained the processes and procedures of determining and selecting the sample, finalising and mailing the questionnaire to 3 000 SMEs in South Africa, as well as the subsequent follow-up

procedure to have secured an acceptable return of 668 completed questionnaires. The third dimension of this chapter clarified the theoretical concepts underpinning the process of utilising and interpreting the data acquired from the questionnaires. In this regard the methods, procedures and processes of scoring the questionnaire, item analyses, formulae's utilised for data interpretation and reliability testing, have been addressed.

In conclusion, this chapter established the theoretical underpinning for the interpretation of the data (i.e. statistical analysis), as explained in Chapter 6.

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## **CHAPTER 6: STATISTICAL ANALYSIS**

### **6.1 INTRODUCTION**

Following from the discourse of Chapter 5, which prepared the foundation for the statistical analysis, this chapter describes the methodological processes of analysing the data from which observations and recommendations are made.

### **6.2 METHOD**

The following major steps feature in analysing the data acquired from the questionnaires:

6.2.1 An item-analysis was performed to test the reliability of each dimension to determine the extent to which the dimension supports the underlying constructs.

6.2.2 The specific sequences followed include factor analyses, item and reliability analyses, component factor analysis and the rotated factor analysis. The following five steps have been applied consistently with each of the entrepreneurship dimensions:

6.2.2.1 Factor analysis has been executed on all the items of a dimension. The number of underlying factors representing each dimension has been identified.

6.2.2.2 The above procedure was followed by an item and reliability analysis. Items with a high item-total correlation have been accepted through item analysis as internally consistent and homogeneous and these items are indicated by means of an '\*'.

- 6.2.2.3 Factor analysis was again carried out, but only on those items that have been accepted by means of item-analysis and which had been indicated by an '\*'. The latter analysis provided an indication of the extent to which each item has been "loaded" with the underlying factor. Items with too low a "load" were rejected with the result that a final group of items are identified, which bear the characteristics of homogeneity, one-dimensionality, and internal consistency;
- 6.2.2.4 Discriminatory abilities of accepted as well as rejected items were analysed. For these purposes the proportions of respondents who selected each of these responses, were compared. Kline (1980) postulates that the more equal these proportions, the more discriminating the items are.
- 6.2.2.5 A summary of recommendations is made which contains final guidelines for item-selection.
- 6.2.3 In this specific investigation, some of the items that have been recommended on the basis of internal consistency and one-dimensionality (as explained in the preceding par. 6.2.2.1-6.2.2.5 above) discriminate poorly. Subsequently, additional statistical measures were followed regarding those items in order to determine construct validity.<sup>10</sup> These are:
- 6.2.3.1 A principal component analysis was done to determine construct validity in order to exclude items with unacceptable item-total correlations.

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<sup>10</sup> The following two reasons are being offered: Firstly, it ought to be noted that the accepted items from item-analysis are not necessarily irreversible, nor non-negotiable; viewed differently, the accepted items are not necessarily the most ideal items, in other words, for the two reasons mentioned here (i.e. reversible and negotiable), the possibility exists that these items may be rejected; secondly, item-analysis is not necessarily the appropriate technique for item-selection in the Ent-dimensions, due to the higher incidence of the "circularity-problem" of item-analysis in sub-scales with few items (see: Chapter 5, par. 5.9) and the consequential tendency to invalid rejection (Nunnally, 1978).

- 6.2.3.2 A rotated factor matrix was applied to determine the extent to which items load significantly with the component factors.
- 6.2.3.3 The above process was followed by an analysis of each of the items of these factors to determine the extent to which the items represent the specific factor.
- 6.2.3.4 The alpha reliability coefficients for the remaining items in the entrepreneurship dimension were made and the items that were excluded from the entrepreneurship dimension were assessed.
- 6.2.4 Statistics of a *descriptive* nature are then given for the two sections of the questionnaire, namely the Ent-test (for the Entrepreneurial characteristics) and the TL-test (for the characteristics of transformational leadership). The industries<sup>11</sup> are ranked according to their performance on each of the two different sub-tests.
- 6.2.5 Four more statistical procedures were performed to determine the extent of a relationship between the two dimensions of entrepreneurship and transformational leadership. The procedures that were followed for the Pearson product-moment *correlation* calculated the scores of each of the two sub-tests (entrepreneurship and transformational leadership), as well the test as a whole. They are: a correlation matrix, a contingency table, analysis of variance and regression analysis.

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<sup>11</sup> An industry comprises all the firms or businesses that are using similar production processes or methods of rendering services (Du Plessis, 1998:48).

### 6.3 FACTOR ANALYSIS, ITEM AND RELIABILITY ANALYSIS AND FREQUENCY DISTRIBUTION OF EACH ENTREPRENEURSHIP (ENT) CONSTRUCT

#### 6.3.1 Commitment and determination

The entrepreneurship construct of Commitment and determination is defined as “the ability of the entrepreneur to overcome extraordinary obstacles and to compensate for other weaknesses” (cf. Table 5.2).

##### 6.3.1.1 Factor analysis: Ent1 (Commitment and determination)

Table 6.1: Factor analysis on Commitment and determination			
Rotated Factor Matrix <sup>a</sup>			
	Factor		
	1	2	3
V4	0.177	0.511	0.195
V16	0.186	0.153	0.037
V19X	0.039	0.476	0.048
V20	0.615	0.061	0.062
V25	0.545	0.404	0.322
V32	0.301	0.378	0.215
V47X	0.290	0.062	0.231
V62X	0.136	0.052	0.600
V72	0.242	0.289	0.405
V81X	0.024	0.246	0.304
Average Factor Loading	0.256	0.263	0.242
% of Variance	33.6%	34.6%	31.8%
Extraction Method: Principal Axis Factoring. Rotation Method: Varimax with Kaiser Normalisation <sup>a</sup> . Rotation converged in 5 iterations			

Table 6.1 shows that this group of items is representing three underlying factors. The factor loading, with the concomitant percentage of variance for each of the three factors is Factor 1: 0.256 (33.6%), Factor 2: 0.263 (34.6%) and Factor 3: .0242 (31.8%) respectively.



### 6.3.1.2 Item and reliability analysis: Ent1 (Commitment and determination)

Item	Item-total correlation	Alpha (item removed)
V4	.3875*	.5780
V16	.1679	.6179
V19	.1845	.6157
V20	.2273	.6146
V25	.5668*	.5528
V32	.4040*	.5788
V47	.2776*	.5943
V62	.3280*	.5815
V72	.4123*	.5676
V81	.2494*	.6048
Alpha		.6157

From the data presented in Table 6.2 it is acknowledged that items 16, 19, 20 do not comply with the steps applied with each of the Ent dimensions and will therefore be excluded (see: par. 6.2.2 as espoused in the selection of items on the basis of item-analysis and discriminatory ability). For the discussion of item and reliability analysis for Ent1, see par. 6.3.5.

### 6.3.1.3 Factor analysis (accepted items) (Commitment and determination)

Factor Matrix <sup>a</sup>	
	Factor 1
V4	.490
V25	.706
V32	.522
V47X	.322
V62X	.439
V72	.563
V81X	.341

Extraction Method: Principal Axis Factoring  
<sup>a</sup>1 factors extracted. 8 iterations required.

This group of items is one-dimensional (Table 6.3). However, items 47 and 81 are not significantly loaded with the factor ( $<0.4$ ) (Cattell, 1944:292-304), i.e. Ent1 (Commitment and determination).

Based on the abovementioned factor analysis and reliability analysis it can be deduced that questions 4, 25, 32, 62 and 72 are underpinned to a lesser or larger extent by one underlying factor. Consequently, the discrimination of these items will be assessed:

#### 6.3.1.4 Frequency-distribution: Ent 1 (Commitment and determination)

Table 6.4: Frequency distribution for Commitment and determination					
		Response 1-3 %	Response 4 %	Response 5 %	Response 6-7 %
Accepted items	V4	2.2	0.8	6.2	90.9
	V25	1.9	1.9	8.5	87.7
	V32	1.7	0.3	6.5	91.5
	V62	6.0	0.9	2.7	90.3
	V72	3.6	2.8	9.3	84.2
Rejected items	V19	9.2	0.6	3.9	86.0
	V47	14.6	2.5	6.3	76.4
	V20	14.7	2.5	7.1	74.6
	V81	7.0	2.8	6.5	73.6
	V16	8.8	3.5	17.4	70.3

For the purposes of frequency distribution, the items (as extracted from the responses, which used a 7-point Likert-type scale) were clustered into four response groups (see: Table 6.4). The data as perceived from Table 6.4 contrast the general acknowledgement that items with a higher discrimination will be proportionally distributed.

When viewed in this format, it can generally be deduced that the accepted items discriminate poorly, whereas the rejected items are the ones with marginally better discrimination, since there is a better distribution of responses. For example, the accumulation of responses for the accepted items is relatively higher (84.2%-90.9%) than that for the rejected items (70.3%-86.0%) in the Response grouping 6-7.

#### **6.3.1.5 Summary and recommendation: Ent1 (Commitment and determination)**

From both item analysis and factor analysis, it can be concluded that items 4, 25, 32, 62 and 72 load on one factor and that these five factors have internal consistency (alpha 0.6556). However, it must be noted that these stated items do not discriminate well. Therefore, it is recommended that items 16, 19, 47 and 8 be retained. It would, for instance be very beneficial to identify those 73,6% persons who contribute their energy into their enterprises (item 81) and to acquire a more comprehensive profile on each. A similar condition prevails with those respondents who make personal sacrifices in order to achieve success (item 19).

#### **6.3.2 Leadership**

The entrepreneurship construct of Leadership is defined as "an experienced person with an intimate knowledge of technology and the marketplace, sound management skills and a proven track record" (cf. Table 5.2).

### 6.3.2.1 Factor analysis: Ent2 (Leadership)

Table 6.5: Factor analysis on Leadership		
Factor Matrix <sup>a</sup>		
	Factor	
	1	2
V10X	.021	.522
V21X	.248	.376
V26	.507	.281
V37X	.254	.384
V48X	.364	.103
V71	.511	.065
Average Factor Loading	.317	.288
% of Variance	52.4%	47.6%

Extraction Method: Principal Axis Factoring.  
 Rotation Method: Varimax with Kaiser Normalisation  
<sup>a</sup> Rotation converged in 3 iterations

Table 6.5 shows that two factors are fundamental to the dimension of Leadership. The factor loading for each factor, with the concomitant percentage of variance for each of the two factors is Factor 1: 0.317 (52.4%) and Factor 2: 0.288 (47.6%) respectively.

### 6.3.2.2 Item and reliability analysis: Ent2 (Leadership)

Table 6.6: Item and reliability analysis on Leadership		
Item	Item-total correlation	Alpha (item removed)
V10	.2222	.5242
V21	.3153*	.4703
V26	.3895*	.4578
V37	.3259*	.4616
V48	.2319*	.5113
V71	.2595*	.4954
Alpha		.5320

Since item 10 in Table 6.6 does not comply with the guidelines for item selection, it is rejected (see: par. 6.2.2 as espoused in the selection of items based on item-analysis and discriminatory ability).

**6.3.2.3 Factor analysis (accepted items) Ent2 (Leadership)**

Table 6.7: Factor analysis of accepted items on Leadership	
Factor Matrix <sup>a</sup>	
	Factor
	1
V21	.397
V26	.594
V37	.403
V48	.368
V71	.442
Extraction Method: Principal Axis Factoring	
<sup>a</sup> 1 factors extracted. 9 iterations required.	

One factor is fundamental to this group of items (Table 6.7). However, items 48 and 21 are not significantly loaded with the particular factor (loading <0,4). On the basis of the above finding only items 26, 37 and 71 are recommended for inclusion.

**6.3.2.4 Frequency distribution: Ent2 (Leadership)**

Table 6.8: Frequency distribution on Leadership					
	items	Response 1-3 %	Response 4 %	Response 5 %	Response 6-7 %
Accepted items	V26	2.2	.8	6.2	90.9
	V37	1.9	1.9	8.5	87.7
	V71	1.7	.3	6.5	91.5
Rejected items	V10	13.7	6.5	7.3	72.5
	V21	6.6	0.8	1.6	91.4
	V39	14.7	2.5	7.1	74.6
	V48	11.1	1.3	5.1	82.7

From Table 6.8 it is once more evident that the discrimination for Accepted items is poorer than for the Rejected items (see: par. 6.3.4).

### **6.3.2.5 Summary and recommendation: Ent2 (Leadership)**

Items 26, 37 and 71 can be used as a result of their one-dimensionality; however, *these three items discriminate poorly*. As far as the rejected items are concerned, it is recommended that item 48 be retained as this item has not been stated ambiguously and therefore it can be used. Item 48 can either be (1) used as a dimension on its own, or (2) be grouped together with items 26, 37 and 71. However, grouping item 48 with the other three (i.e. items 26, 37, 71) leads to loss of one-dimensionality. Item 21 (which elicited socially acceptable responses, yet with poor discrimination), as well as item 39 (worded in a confusing manner), is not recommended for inclusion. Item 10, which has been rejected by item-analysis, is worded in the negative, but can possibly be included in the final analysis.

### **6.3.3 Opportunity obsession**

The entrepreneurship construct of Opportunity obsession is defined as “total immersion in the opportunity; oriented to the goal of pursuing and executing an opportunity for accumulating resources” (cf. Table 5.2).

#### **6.3.3.1 Factor analysis: Ent3 (Opportunity obsession)**

Table 6.9 shows that this group of items is representing two underlying factors. The factor loading, with the concomitant percentage of variance for each of the two factors is Factor 1: 0.317 (50.4%) and Factor 2: 0.312 (49.6%) respectively.

Factor Matrix <sup>a</sup>		
	Factor	
	1	2
V11X	.113	.225
V24	.280	.013
V36	.627	.159
V63X	.206	.565
V65X	.029	.588
V77	.470	.304
V82	.493	.327
Average Factor Loading	.317	.312
% of Variance	50.4%	49.6%

Extraction Method: Principal Axis Factoring.  
 Rotation Method: Varimax with Kaiser Normalisation  
<sup>a</sup>. Rotation converged in 3 iterations

### 6.3.3.2 Item and reliability analysis: Ent3 (Opportunity obsession)

Item	Item-total correlation	Alpha (item removed)
V11X	.2042	.5609
V24	.1463	.5740
V36	.3493*	.4929
V63X	.3916*	.4679
V65X	.2694*	.5172
V77	.3788*	.4848
V82	.4185*	.4940
Alpha		.5511

From Table 6.10 it is determined that items 11 and 24 do not comply with the steps applied with each of the Ent dimensions and will be excluded (see: par. 6.2.2).

### 6.3.3.3 Factor analysis (accepted items) Ent3 (Opportunity obsession)

Table 6.11: Factor analysis of accepted items on Opportunity obsession	
Factor Matrix <sup>a</sup>	
	Factor 1
V36	.524
V63X	.510
V65X	.388
V77	.570
V82	.596
Average Factor Loading	.517
Extraction Method: Principal Axis Factoring	
<sup>a</sup> .1 factors extracted. 6 iterations required.	

With the exception of item 65 in Table 6.11, all the items are represented (to a lesser or larger extent) by one single underlying factor. On the basis of the aforementioned finding, items 36, 63, 77 and 82 are recommended for inclusion.

### 6.3.3.4 Frequency distribution: Ent3 (Opportunity obsession)

Table 6.12: Frequency distribution for Opportunity obsession					
		% Response 1-3	% Response 4	% Response 5	% Response 6-7
Accepted items	36	3.0	2.5	7.0	87.5
	63	6.0	3.9	7.4	82.6
	77	3.0	0.8	4.9	91.3
	82	1.1	1.9	3.0	94.0
Rejected items	11	0.3	6.6	11.2	57.2
	24	11.8	7.6	14.4	66.2
	65	12.8	3.5	7.7	76.0

From Table 6.12 it is evident that the accepted items indicate poor discrimination ability, whereas the rejected items demonstrate much better discrimination possibilities. For example, the accumulation of responses for the accepted items is relatively higher (86.2%-94.0%) than that for the rejected items (57.2%-76.0%) in the



Response grouping 6-7. Items 11, 24 and 65 (which have not been worded in the negative) should be considered for further analysis.

#### **6.3.3.5 Summary and recommendation: Ent3 (Opportunity obsession)**

From the perspectives of both item analysis and factor analyses, it appears as if items 36, 63, 77 and 82 represent a single factor of underlying one-dimensionality. Despite the fact that these items support one underlying factor, their discrimination is poor. However, the rejected items discriminate better and should therefore not be rejected. Nevertheless, these three rejected items (11, 24 and 65) do not measure the same underlying construct as the accepted items (i.e. factor analysis indicates two underlying factors) and they do not appear to be one-dimensional either.

#### **6.3.4 Tolerance of risk**

The entrepreneurship construct of Tolerance of risk is defined as “the ability to manage paradoxes and contradictions, a special tolerance for ambiguous situations and for making decisions under conditions of uncertainty” (cf. Table 5.2).

##### **6.3.4.1 Factor analysis: Ent4 (Tolerance of risk)**

A factor analysis as executed on this combination of items in Table 6.13 identified three underlying factors. The inter-correlation between these items, which are mainly low and negative, confirms the multi-dimensionality of these items. The factor loading, with the concomitant percentage of variance for each or the three factors is

Factor 1: 0.204 (48.9%), Factor 2: 0.096 (23.0%) and Factor 3: 0.117 (28.1%) respectively.

Rotated Factor Matrix <sup>a</sup>			
	Factor		
	1	2	3
V5X	.368	-.217	-.041
V17X	.472	.024	.171
V34X	.037	.567	.053
V58X	.047	.026	.299
V68	-.045	.082	.292
V70X	.345	.098	-.072
Average Factor Loading	.204	.096	.117
% of Variance	48.9%	23.0%	28.1%

Extraction Method: Principal Axis Factoring.  
 Rotation Method: Varimax with Kaiser Normalisation  
<sup>a</sup> Rotation converged in 4 iterations

#### 6.3.4.2 Item and reliability analysis: Ent 4 (Tolerance of risk)

Item	Item-total correlation	Alpha (item removed)
V5X	.0768	.2073
V17X	.2102*	.0694
V34X	.0246	.2466
V58X	.0553	.2294
V68	.0423	.2257
V70X	.1423	.1460
Alpha		.2240

Only item 17 in Table 6.14 attains the minimum value of 0.2 on the item-total correlation, resulting in the rejection of items 5, 34, 58, 68 and 70.

#### 6.3.4.3 Factor analysis (accepted items): Ent4 (Tolerance of risk)

Since only one item (item 17) remained, no further analysis was made on that singular item.

#### 6.3.4.4 Frequency distribution: Ent4 (Tolerance of risk)

Table 6.15: Frequency distribution for Tolerance of risk					
		% Response 1-3	% Response 4	% Response 5	% Response 6-7
Accepted items	17	48.0	4.6	7.9	39.5
Rejected items	5	71.7	15.5	4.1	8.6
	34	20.2	15.6	12.2	52.0
	58	42.0	15.6	739	34.4
	68	3.8	2.7	11.2	82.3
	70	56.9	8.7	6.0	28.4

From Table 6.15 it is evident that good discrimination is present with items 5, 17 and 70.

#### 6.3.4.5 Summary and recommendation: Ent4 (Tolerance of risk)

On the basis of their one-dimensionality, items 5, 17, and 70 are recommended. Item 68, however, measures a different type of risk (positive/good risk) than items 5, 17, and 70.

Item 68 can be incorporated own its own in two different ways: (1) treat stated item as a dimension on its own, or (2) incorporate it as part of the Ent4 dimension. The latter implies that Ent4 (which will then be two-dimensional) be defined as such and that both types of risk be included.<sup>12</sup>

<sup>12</sup> In instances of multi-dimensionality where the dimension is characterised by unequal representation of the sub-dimension (1 item representing positive risk and three items identify negative risk), item-analysis is not proper technique (See: Chapter 5, par. 5.9)

### 6.3.5 Creativity

The entrepreneurship construct of Creativity of risk is defined as “the high levels of uncertainty and very rapid rates of change require highly adaptive forms of organisation” (cf. Table 5.2).

#### 6.3.5.1 Factor analysis: Ent5 (Creativity)

Table 6.16: Factor analysis on Creativity					
Rotated Factor Matrix <sup>a</sup>					
	Factor				
	1	2	3	4	5
V6X	.192	-.016	.538	.115	.121
V12	.386	.295	.194	-.021	-.069
V15X	.061	.166	.316	.052	-.129
V42	.157	.014	-.111	.219	-.314
V49	.516	-.051	.186	.057	-.085
V50	.488	-.048	.077	.118	.068
V54	.054	-.020	-.044	.077	.361
V55X	.030	.621	.061	.093	-.019
V66	.445	.163	.051	.041	.017
V75X	.094	.101	.170	.554	.051
Average Factor Loading	.242	.122	.143	.113	-.049
% of Variance	42.3%	21.4%	25.0%	19.8%	-8.5%
Extraction Method: Principal Axis Factoring. Rotation Method: Varimax with Kaiser Normalisation <sup>a</sup> Rotation converged in 8 iterations					

A factor analysis in Table 6.16 shows 5 underlying constructs for this dimension. The inter-correlation between these items, which are mainly low and negative, confirms the multi-dimensionality of these items. The factor loading, with the concomitant percentage of variance for each or the five factors, is Factor 1: 0.242 (42.3%); Factor 2: 0.122 (21.4%); Factor 3: .0143 (25.0%), Factor 4: 0.113 (19.8%) and Factor 5: -.049 (-8.5%), respectively.

### 6.3.5.2 Item and reliability analyses: Ent5 (Creativity)

The data from Table 6.17 indicate that items 15, 42, 54 and 55 do not comply with the steps applied with each of the Ent dimensions and are, therefore, excluded from further analysis (see: par. 6.2.2).

Item	Item-total correlation	Alpha (item removed)
6	.2254*	.3762
12	.3304*	.3665
15	.1652	.3995
42	.0603	.4404
49	.2474*	.3823
50	.2660*	.3817
54	-0.120	.4892
55	.1481	.4117
66	.2398*	.3780
75	.2587*	.3594
Alpha		.4246

Consequently, factor analysis will be done on the accepted items for the accepted items in the entrepreneurship construct of Creativity. These items are items 6, 12, 49, 50, 66 and 75 respectively.

### 6.3.5.3 Factor analysis (accepted items) Ent5 (Creativity)

Factor Matrix <sup>a</sup>		
	Factor	
	1	2
V6X	.119	.602
V12	.375	.166
V49	.486	.239
V50	.417	.202
V66	.499	.048
V75X	.125	.260
Average Factor Loading	.267	.252
% of Variance	51.4%	48.6%

Extraction Method: Principal Axis Factoring.  
 Rotation Method: Varimax with Kaiser Normalisation  
<sup>a</sup> Rotation converged in 3 iterations

The factor analysis in Table 6.18 indicates that two factors are withdrawn. However, items 49, 50 and 66 are uniquely associated with the first factor and accepted.

#### 6.3.5.4 Frequency distribution: Ent5 (Creativity)

Table 6.19: Frequency distribution on Creativity					
		% Response 1-3	% Response 4	% Response 5	% Response 6-7
Accepted items	49	2.5	6.6	11.7	78.8
	50	2.1	2.1	8.8	86.9
	66	4.7	3.2	8.1	83.9
Rejected items	6	11.1	2.4	6.0	81.0
	12	1.9	1.4	8.7	87.8
	15	11.5	1.7	4.6	82.1
	42	14.7	14.4	18.2	52.7
	54	31.0	7.1	17.4	44.4
	55	22.3	2.2	6.2	69.4
	75	13.4	2.8	8.4	75.4

The discrimination of the accepted items throughout is poor (Table 6.19). The rejected items of 42, 54 and 55 discriminate reasonably. The rejection of item 55 that clearly measures two variables (depending on a successful/unsuccessful business), is legitimate.

#### 6.3.5.5 Summary and recommendation: Ent5 (Creativity)

Items 49, 50 and 66 can be used for further analysis, since they are one-dimensional and internally consistent. However, it is important to point to the major difference in content of these three items as well as the poor discrimination. It creates doubt regarding their validity.

With reference to the rejected items, it is recommended that items 6 and 12 not be used. Although these two items contain some internal consistency, it can be subjectively deduced that they do not measure the Ent5 dimension effectively. It is recommended that items 15 and 54 be considered for further analysis. Item 54 does not correlate with the accepted items and should therefore be used independently from the others. Item 42 should be rejected.

### 6.3.6 Motivation to excel

The entrepreneurship construct of Motivation to excel is defined as “entrepreneurs are self-starters who appear driven internally by a strong desire to compete against their own self-imposed standards and to pursue and attain challenging goals” (cf. Table 5.2).

#### 6.3.6.1 Factor analysis: Ent6 (Motivation to excel)

Table 6.20: Factor analysis on Motivation to excel		
Factor Matrix <sup>a</sup>		
	Factor	
	1	2
V1	.213	.105
V28	.381	-.068
V29	.549	.310
V33X	-.045	.391
V35	.492	.400
V56X	.484	.084
V67	.172	.487
V85	.346	.462
Average Factor Loading	.255	.271
% of Variance	48.5%	51.5%
Extraction Method: Principal Axis Factoring.		
Rotation Method: Varimax with Kaiser Normalisation		
<sup>a</sup> . Rotation converged in 3 iterations		

Two underlying factors had been withdrawn from this dimension, as presented in Table 6.20. With the exclusion of items 28 and 33, which are associated with factor 1 and factor 2 respectively, there are no other items that can be associated uniquely with one factor only.

### 6.3.6.2 Item and reliability analyses: Ent6 (Motivation to excel)

The data in Table 6.21 indicate that items 1, 28 and 33 do not comply with the steps applied with each of the Ent dimensions and are, therefore, excluded from further analysis (see: par. 6.2.2). A factor analysis will be done on the remaining items.

Item	Item-total correlation	Alpha (item removed)
V1	.1924	.5623
V28	.1953	.5864
V29	.4469*	.4872
V33X	.1138	.5861
V35	.4108*	.4964
V56X	.3528*	.5106
V67	.3010*	.5416
V85	.4210*	.5170
Alpha		.5702

### 6.3.6.3 Factor analysis (accepted items): Ent6 (Motivation to excel)

Factor Matrix <sup>a</sup>	
	Factor
	1
V29	.596
V35	.712
V56X	.372
V67	.474
V85	.561
Average Factor Loading	.543
Extraction Method: Principal Axis Factoring	
<sup>a</sup> 1 factors extracted. 9 iterations required.	



In Table 6.22 it is clearly shown that item 56 does not correlate above the accepted level with the factor. Therefore, only items 29, 35, 67 and 85 are recommended.

#### 6.3.6.4 Frequency distribution: Ent6 (Motivation to excel)

The accepted items in Table 6.23 indicate poor discrimination throughout. With the exception of item 28, the rejected items also have poor discrimination, although “marginally better” than the accepted items.

		% Response1-3	% Response4	% Response5	% Response6-7
Accepted items	29	4.1	22	13.3	80.4
	35	3.8	5.5	12.6	78
	67	1.3	1.1	3.6	94
	85	1.3	1.9	2.5	94
Rejected items	1	4.3	2.8	13	79.9
	28	17.1	9.3	22.6	51.1
	33	5.4	1.9	3.3	88.6
	56	13.6	3.8	7.9	74.6

The “better” discrimination of item 28 can be ascribed to the ambiguous interpretation of the word “may” in the questionnaire. For example, some respondents interpreted this in a positive context and others in a negative context.

#### 6.3.6.5 Summary and recommendation: Ent6 (Motivation to excel)

Items 29, 35, 67 and 85 are represented by one factor, and can be used for further analysis. However, these items discriminate very poorly. Items 1, 28 and 33 are not recommended, but item 58 can be used independently of the other items.

#### **6.4 BROAD-BASED CONCLUSIONS AND RECOMMENDATION**

Items that are recommended, are recommended based on their one-dimensionality and consistency. Almost all of these items discriminate poorly and therefore, the purpose of items that discriminate poorly is limited.

The difference between reliability and validity requires attention. In item analysis and reliability analysis, the only endeavour is to determine and maximise reliability. Validity is neither determined, nor proven. Therefore, whether a group of items constitutes a valid measure of the dimension within which it resorts, remains an open question.

For example, there is no certainty that an item measuring “knowledge of market conditions, also measures “opportunity obsession”; similarly, that a question on “report back expectations” also measures “adaptability”. The only certainty that exists is that the particular characteristic has been reliably measured. Construct validity has not been proven.

It is recommended that the construct validity of the Ent-dimension be analysed by means of “Principal Axis Factoring”. Should the structure obtained from principle axis factoring differ significantly from the current structure, then construct validity would be doubtful.

Consequently, in Table 6.24 a principal component analysis is executed on the one-dimensional items. Items over which there appears to be uncertainty (as identified by means of this report) have also been added to these items. Items with unacceptable

item-total correlation have not been included. From the original 48 items measuring entrepreneurship, 32 items have been included for analysis. The following tables present the results of these analyses.

Firstly, the total variance is stated, after which the final rotated component table is shown.

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.715	20.984	20.984	3.301	10.316	10.316
2	1.747	5.46	26.444	3.096	9.674	19.99
3	1.402	4.38	30.824	2.097	6.554	26.544
4	1.367	4.272	35.096	1.714	5.357	31.901
5	1.224	3.824	38.919	1.45	4.53	36.431
6	1.165	3.64	42.559	1.426	4.457	40.887
7	1.125	3.517	46.076	1.292	4.037	44.924
8	1.09	3.405	49.481	1.261	3.941	48.865
9	1.023	3.197	52.679	1.22	3.813	52.679

Extraction Method: Principal Component Analysis

Through factor analysis, nine factors have been identified which explains 52,67% of the variance. In an attempt to identify these factors, the rotated factor matrix is applied in the assessment and represented in Table 6.25.

Items	Factors								
	1	2	3	4	5	6	7	8	9
4	0.103	0.257	0.542	-0.017	-0.054	0.145	0.213	-0.231	0.328
5	0.082	0.000	-0.132	0.030	-0.076	0.076	0.017	<b>0.805</b>	-0.033
11	0.142	0.067	0.077	-0.021	-0.076	<b>0.738</b>	-0.166	0.059	0.122
15	-0.047	0.096	0.570	0.008	-0.076	0.120	-0.043	0.047	-0.139

Items	1	2	3	4	5	6	7	8	9
16	0.079	0.058	0.087	0.179	-0.081	-0.070	-0.088	0.024	-0.048
17	0.181	0.023	0.094	-0.336	-0.434	0.091	-0.059	<b>0.430</b>	0.096
19	-0.149	0.138	0.378	0.251	-0.107	0.450	0.27	0.056	0.100
24	0.160	0.062	-0.041	-0.037	0.088	0.165	0.070	0.029	<b>0.757</b>
25	0.451	0.465	0.294	0.180	0.076	-0.028	0.074	-0.003	0.120
26	0.193	0.167	<b>0.545</b>	0.163	0.194	-0.069	0.009	-0.164	0.207
29	0.151	<b>0.694</b>	-0.018	0.160	-0.052	0.115	0.104	-0.000	-0.029
32	0.150	<b>0.563</b>	0.185	0.162	0.073	-0.035	-0.050	-0.037	0.078
35	0.265	<b>0.640</b>	0.136	0.017	0.219	-0.073	0.049	0.213	0.051
36	0.388	0.222	0.130	0.383	0.084	0.003	0.210	0.024	0.227
37	0.339	-0.040	0.513	0.015	-0.090	0.056	-0.036	-0.016	-0.208
49	0.543	0.259	0.017	0.113	0.010	0.010	-0.177	0.065	0.130
50	0.242	0.149	-0.0003	0.452	0.139	0.16	0.072	-0.076	0.032
54	-0.000	-0.064	-0.014	0.002	0.094	-0.138	<b>0.780</b>	0.029	0.065
56	0.071	<b>0.588</b>	-0.072	0.070	-0.253	0.245	-0.025	-0.331	-0.045
62	0.435	0.194	-0.056	-0.003	0.034	0.177	0.367	-0.197	-0.095
63	0.421	0.352	0.279	-0.081	-0.062	0.137	0.030	-0.026	-0.112
65	0.302	0.277	0.165	-0.159	0.084	0.284	0.325	0.112	-0.418
66	<b>0.584</b>	-0.019	0.056	0.133	0.101	0.240	-0.028	-0.224	-0.016
67	<b>0.504</b>	0.204	0.312	0.339	0.116	-0.119	0.111	0.016	-0.004
68	<b>0.607</b>	0.259	-0.071	-0.047	-0.022	-0.092	0.049	0.017	0.074
70	-0.081	-0.001	0.105	0.034	-0.655	0.056	-0.045	0.070	-0.069
71	0.138	0.544	0.236	-0.12	0.286	0.340	-0.067	-0.017	0.008
72	0.328	0.253	0.268	0.156	0.407	0.080	-0.066	-0.111	0.141
77	<b>0.521</b>	-0.003	0.246	0.261	0.234	0.125	-0.031	0.182	-0.016
81	-0.048	0.331	0.069	0.064	0.439	0.312	0.212	0.103	-0.058
82	<b>0.491</b>	0.192	0.166	0.186	-0.123	0.021	0.283	-0.070	0.206
85	0.356	0.438	0.356	-0.009	0.197	-0.117	-0.146	0.010	0.154

(<0,5 has been used as the cut-off point for item loading)

Discussion: None of the items indicates significant loading with factors 4 and 5 (<0,5). Therefore, these two components are eliminated. In Table 6.26, the following items are associated with each of the following factors respectively.

Factors	Items
1	77, 82, 66, 67, 68
2	32, 29, 35, 56
3	26
6	11
7	54
8	5, 17
9	24

In order to identify the underlying factors of these dimensions, it is necessary to analyse the content of the items represented by these factors.

#### 6.4.1 Analysis of Factor 1

Table 6.27: Analysis of Factor 1	
77	I am aware that changes in the business environment require constant vigilance
82	I know that opportunities can arise from market niches not adequately served by large firms
66	I learn through experiences of failure
67	I set high personal standards of integrity
68	I take calculated risks

Discussion: In summary it can be deduced that these items (as presented in Table 6.27) are represented by a dimension which incorporates two manifestations: (1) personal integrity and (2) an alert, careful and reality-orientated cognition (or awareness). This awareness includes learning through failure, to be alert to market niches and to be careful (i.e. calculated risk-taking).

#### 6.4.2 Analysis of Factor 2

Table 6.28: Analysis of Factor 2	
32	I exhibit a strong sense of determination in my work
29	In order to focus my energies, I set high attainable goals
35	I derive personal motivation from the challenge of creating enterprises
56	I am not driven by a thirst for achievement

Discussion: An internal analysis of the items representing factor 2 in Table 6.28, indicates that these items represent aspects such as perseverance, aspiration, and

the motivation to excel. Three of these items are represented under the original Ent6-dimension "Motivation to excel". Subsequently, the remaining five factors are analysed.

### 6.4.3 Analysis of Remaining Factors

Factor	Item	Description
3	26	I need to <i>get along</i> with many different groupings in the business environment
6	11	I do not have intimate knowledge of market opportunities
7	54	I am dissatisfied with the <i>status quo</i> in my business
8	5	My preference for a permanent job is not lower on the hierarchy than for a manager
	17	I am unable to live with high levels of uncertainty concerning my career
9	24	I know that opportunities are market-driven

Discussion: From Table 6.29 it is understood that factors 3, 6, 7 and 9 each are underpinned by one item. The dimension, which represents them, can be determined by investigating the particular item. Factor 8 measures the extent of uncertainty/risk which the person can live with.

Factor	Definition	Items
1	Personal integrity, cautious and alert reality-oriented awareness	29, 32, 35, 56
2	Motivation to excel	66, 67, 68, 77, 82
3 (8 above)	Risk	5, 17
4 (Factor 3 above)	Cultural integration	26
5 (Factor 6 above)	Perception of knowledge of market opportunities	11
6 (Factor 7 above)	Satisfaction with the situation of the current business	54
7 (Factor 9 above)	Certain that opportunities are driven through the market	24

In summary, and following from the preceding discussions above, the following factors and items (as exhibited in Table 6.30) can finally be distinguished:

#### 6.4.4 Alpha reliability of the Ent-scale

Since the items as represented by factors 3, 4, 5, 6 and 7 as mentioned in Table 6.30) measure other dimensions consisting of fewer items than factors 1 and 2 (the latter which primarily represents the Ent-scale), it has to be taken into consideration that the above-mentioned factors will reduce the reliability of the total Ent-scale.

Therefore, the internal consistency of the test will be reduced by virtue of the acceptance of these items. However, this fact need not undermine the use of these items, since the reliability would not have been reduced in the event of an equal number of items representing all the dimensions/factors of a scale. The value that item information brings to the fore in the study should be the only criterion for the use of the items.

The following table (Table 6.31) indicates the alpha-reliability coefficients of the scale with only factors 1 and 2 included, and with all the factors included, respectively.

Ent-scale consisting of:	Alpha reliability coefficients
Factors 1 and 2	0.7185
Factors 1 to 7	0.5449
Factors 1 and 2 + 3	0.5509
Factors 1 and 2, 4, 5, 6, 7	0.6397
Factors 1 and 2, 4, 5, 7 (excluding 6)	0.6977

Discussion: Based on the above explanation, it is evident that factor 3 (which increases the reliability of factors 1 and 2 considerably), does not measure the same

underlying dimensions as factors 1 and 2. In addition, it appears that if factor 6 were to be excluded, the reliability exhibits a significant improvement from 0,6397 to 0,6977.

In this study, the abovementioned alpha reliability coefficients (as per table 6.33) will be used as indicators of reliability. According to Nunnally (1978:230) an Alpha reliability coefficient of 0,6 is acceptable in instances where decisions are being made on groups of people.

In view of the alpha reliability coefficient level of 0,6 the following items (as summarised in Table 6.32) have been excluded from the entrepreneurship dimension. Table 6.32 presents a summary of the items excluded from the six constructs of the entrepreneurship dimension as a result of the processes and procedures described in the preceding sections.

Table 6.32: Ent-items eliminated from the entrepreneurship item pool	
<b>Construct 1: <i>Commitment and determination:</i></b>	
The ability of the entrepreneur to overcome incredible obstacles and to compensate for other weaknesses.	
04	Success in my own business requires discipline and tenacity in everything I do
16	I seek help to solve difficult tasks
19	I do not make personal sacrifices in my attempts to make my business succeed
20	I do not easily give up when facing difficult situations in my business
25	To overcome obstacles, I am persistent in solving problems
47	Difficult situations intimidate me
62	Total commitment is not essential for the survival of my business
72	My business demands top priority with respect to loyalty
81	I do not direct all my energies into my business



**Construct 2: Leadership:**

An experienced person with an intimate knowledge of technology and the marketplace, sound management skills and a proven track record

10	My attitude is not that of being a realist
21	I am not capable of making difficult decisions
37	I do not maintain an effective dialogue with my employees
39	A dictatorial leader does not make it difficult to attract staff
48	It is not important for me to be competent in team-building
71	I can instill a vision of wanting to build a substantial enterprise that will make a lasting contribution to the economy

**Construct 3: Opportunity obsession:**

Total immersion in the opportunity; oriented to the goal of pursuing and executing an opportunity for accumulating resources

36	In evaluating opportunities, I have to seriously consider
63	I do not use entrepreneurial activities to create
65	I do not continuously search for opportunities

**Construct 4: Tolerance of risk, ambiguity and uncertainty:**

The ability to manage paradoxes and contradictions. A special tolerance for ambiguous situations and for making decisions under conditions of uncertainty

05	My preference for a permanent job is not lower on the hierarchy than for a manager
17	I am unable to live with high levels of uncertainty concerning my career
34	I do not sustain my courage by the degree of optimism with which I view the future
58	If I tolerate ambiguity, I am not comfortable with conflict
70	Job security is not lower for me (entrepreneur) than for a manager

**Construct 5: Creativity, self-reliance and ability to adapt:**

The high levels of uncertainty and very rapid rates of change require highly adaptive forms of organisation

06	As a successful entrepreneur, I am not adaptive
12	I take the initiative
15	I avoid taking the initiative to solve a problem
42	I like situations where my personal impact on problems can be measured
49	I have the ability to conceptualise problems
50	It is important that my firm is able to respond with efficiency to environmental influences
54	I am dissatisfied with the <i>status quo</i> in my business
55	I am not personally responsible for the success/failure of the business
75	I do not seek feedback on how well I am doing in my business

**Construct 6: Motivation to excel:**

Entrepreneurs are self-starters who appear driven internally by a strong desire to compete against their own self-imposed standards and to pursue and attain challenging goals

01	I believe that I can affect the outcome of my venture personally
28	Successful accomplishments give me power
33	As an entrepreneur, I do not need a sense of humour
85	As a successful entrepreneur, I do not believe in myself

The remaining items from the entrepreneurship dimension comply with the requirements of alpha reliability. These selected items (as presented in Table 6.33), will be utilised for the Pearson product-moment correlation.

Table 6.33: Remaining Ent-items for Pearson product-moment correlation		
Factor	Item	Definition
<b>Factor 1</b>		<b>Personal integrity, cautious and alert reality-oriented awareness</b>
	29	In order to focus my energies, I set high attainable goals
	32	I exhibit a strong sense of determination in my work
	35	<b>I derive personal motivation from the challenge of creating enterprises</b>
	56	I am not driven by a thirst for achievement
<b>Factor 2</b>		<b>Motivation to excel</b>
	66	<b>I learn through experiences of failure</b>
	67	<b>I set high personal standards of integrity</b>
	68	<b>I take calculated risks</b>
	77	<b>I am aware that changes in the business environment require constant vigilance</b>
	82	I know that opportunities can arise from market niches not adequately served by large firms
<b>Factor 4</b>		<b>Cultural integration</b>
	26	<b>I need to get along with many different groupings in the business environment</b>

<b>Factor 5</b>	<b>Perception of knowledge of market opportunities</b>
11	<b>I do not have intimate knowledge of market opportunities</b>
<b>Factor 7</b>	<b>Certain that opportunities are driven through the market</b>
24	<b>I know that opportunities are market-driven</b>

Summary: The primary objective of the above section on eliminating items from the entrepreneurship item pool was to maintain the questionnaire as comprehensively as possible with the maximum number of items with the least reduction in reliability.

In terms of the research model, as postulated in Chapter 4 (par. 4.6), the next step in the process of statistical analysis is to determine an outcome to the following:

that the characteristics of the entrepreneur are intertwined with the characteristics of the transformational leader, either in the form of:

- these characteristics being identical
- the characteristics of the entrepreneur being preconditions for transformational leadership attributes
- both transformational leadership characteristics and entrepreneurship characteristics being co-producers of strategic enterprise behaviour.

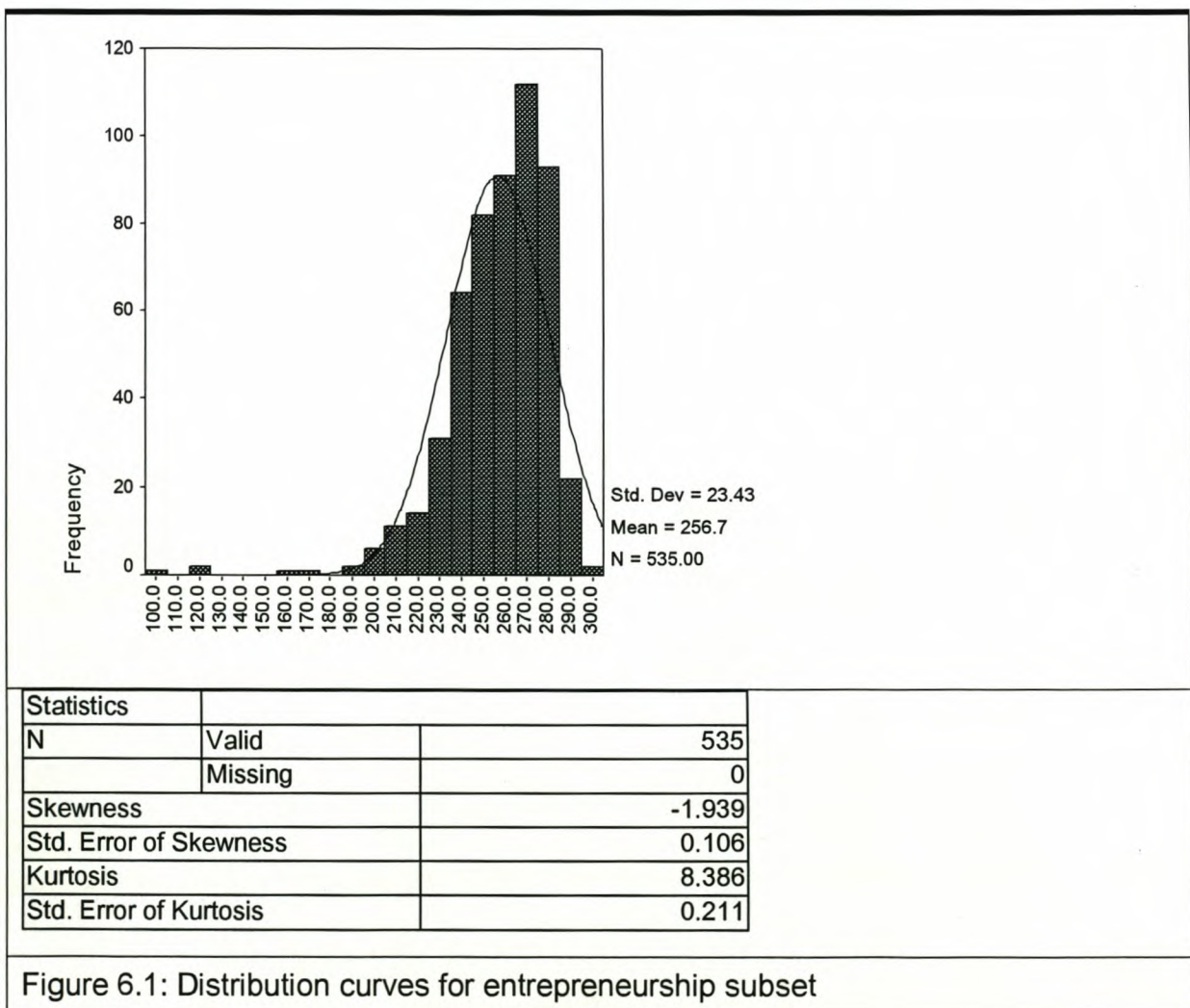
The statistical procedure to be followed is the application of a correlation coefficient, i.e. comparison between five constructs of entrepreneurship (as per Table 6.35) and the four constructs of transformational leadership in order to determine the degree of overlap, as postulated in Chapter 4, par. 4.6.3.

## 6.5 INVESTIGATION INTO THE RELATIONSHIP THAT EXISTS BETWEEN TRANSFORMATIONAL LEADERSHIP AND ENTREPRENEURIAL LEADERSHIP QUALITIES

### 6.5.1 Overview of the scales

In order to obtain an overview on the total and subscale scores of each of the two scales, the distribution curves and descriptives are reported below.

As can be derived from the distribution curves for the two sub-tests as presented in Figure 6.1 and Figure 6.2 respectively, there is a deviation from the normal distribution curve.



Concerning the symmetry of the distribution, a subtle distinction is discernible in both the Ent-test (entrepreneurship) and TL-test (transformational leadership). This accumulation of scores is manifested in skewness towards the left of the average, which is indicative of an over inclination by respondents to agree with a statement.

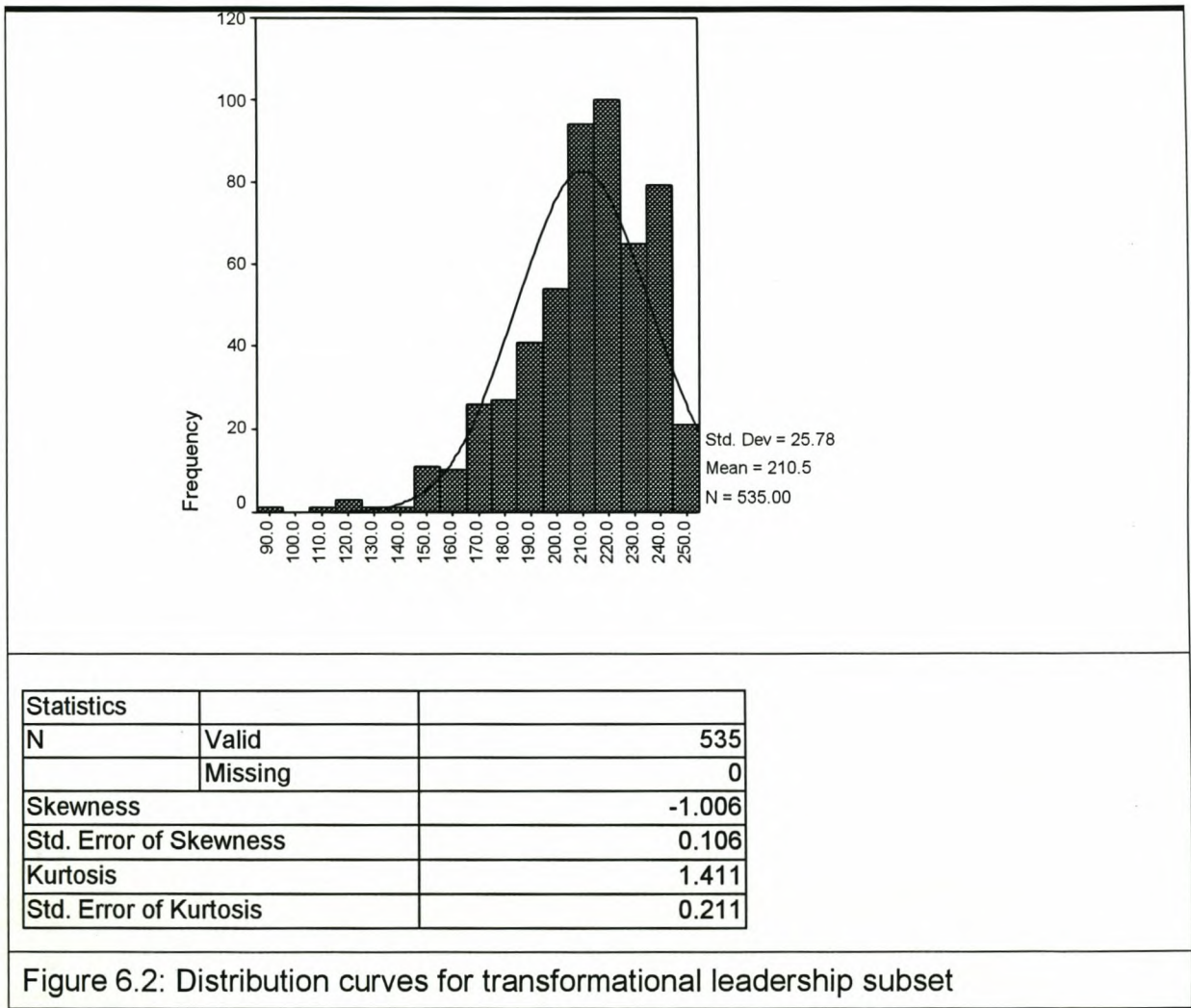


Figure 6.2: Distribution curves for transformational leadership subset

### 6.5.2 Descriptive statistics of the industries represented in the sample

The descriptive statistics for the six different industries for the TL-test are presented in Table 6.34 and the similar descriptive statistics for the Ent-test are presented in Table 6.35, respectively.

Table 6.34: Descriptive statistics for the Six Different Industries of the Transformation dimension						
Industry	N	Mean	Min	Max	Standard Deviation	Standard Error
All Industries	662	215.95	92	259	25.39	0.9839
Construction	74	211.42	126	250	25.14	2.9232
Export	30	213.27	172	244	19.92	3.6360
Import	45	206.91	153	248	23.51	3.5052
Manufacture	130	216.51	133	256	22.02	1.9412
Services	35	218.21	81	258	38.69	6.4530
Trade	350	217.47	92	259	26.44	1.4091
Services*	34	221.88	124	258	30.287	5.1942

\*Note: One respondent within the services industry seemed to have endorsed every item in the opposite direction of what was expected. The deletion of this obvious unreliable record resulted in a better standard error. Seen in light of the improvement of the standard error and due to the smaller variance, the lower reliability coefficient is small and omissible.

Table 6.35: Descriptive statistics for the Six Different Industries of the Entrepreneurial dimension						
Industry	N	Mean	Min	Max	Standard Deviation	Standard Error
All Industries	667	276.688	114	330	23.3248	0.9031
Construction	74	274.162	194	306	22.826	2.6536
Export	30	280.3	251	330	17.650	3.2225
Import	45	271.289	218	304	21.7074	3.2359
Manufacture	132	216.51	189	316	277.008	1.8063
Services	34	279.471	220	324	22.5432	3.8661
Trade	352	277.213	114	314	24.967	1.3307

### 6.5.3 Descriptive statistics for entrepreneurship and transformational leadership

In Table 6.36 the descriptive statistics for the five factors of entrepreneurship and the four constructs of transformational leadership are reported.

Table 6.36: Descriptive statistics

Constructs/factors	N*	Observed Score		Potential Score		Mean	Std. Deviation
		Min	Max	Min	Max		
Ent 1	535	8	28	4	28	24.28411	3.388904
Ent 2	535	7	35	5	35	31.8972	3.298889
Ent 4	535	1	7	1	7	6.414953	1.011063
Ent 5	535	1	7	1	7	5.196262	1.791779
Ent 7	535	1	7	1	7	5.628037	1.568044
<b>Ent Total</b>	<b>535</b>	<b>29</b>	<b>84</b>	<b>12</b>	<b>84</b>	<b>73.42056</b>	<b>7.154053</b>
TL1	535	24	70	10	70	58.96636	8.368323
TL2	535	25	63	9	63	52.85607	6.896223
TL3	535	18	56	8	56	46.80187	6.109334
TL4	535	20	70	10	70	57.07664	8.680541
<b>TL Total</b>	<b>535</b>	<b>92</b>	<b>259</b>	<b>37</b>	<b>259</b>	<b>215.7009</b>	<b>26.1385</b>
Valid N (listwise)	535						

N\*: excluding the Services Industry

Discussion: Based on a Likert seven-point rating scale used in the questionnaire to assess the extent to which a respondent agreed/disagreed with an item, Table 6.38 presents the observed and potential scores for the constructs and factors. For example, for the factor Ent1 four items were used. Therefore, a potential minimum score of 4 and a potential maximum score of 28 was achieved. Similarly, for TL1 ten items were used, thus giving a potential minimum score of 10 and a potential maximum score of 70 respectively.

It is within these potential minimum and maximum ranges of scores that the observed maximum and minimum scores were acquired. For example, for Ent2 (min. 5, max. 35), a score of 31.88972 was recorded, indicating that the respondents had a high agreement with the items presenting that factor. Similarly, for the Total TL score, the mean was 215.7009 out of a maximum score of 259. In all the instances, as can be deduced from Table 6.38, the group possesses the characteristics as described by that specific construct or factor.

In summary, it can be deduced that the respondents scored high on all the items constituting the factors, with the lowest being a mean of 5.196 out of a potential maximum score of 7 for the construct Ent5.

## **6.6 THE RELATIONSHIP BETWEEN ENTREPRENEURIAL LEADERSHIP AND TRANSFORMATIONAL LEADERSHIP**

Subsequent to the discussion on the distribution data of the two variables, four additional activities had to be completed. These four activities were performed to determine if a relationship between entrepreneurship and transformational leadership exists, as well as to establish the nature of these relations. These four steps were:

- 1 A correlation matrix was constructed between the subscales and the total scales of the TL constructs and Ent factors. The correlation matrix presents a convenient way of presenting the interrelations among several variables (Babbie and Mouton, 2001:464).
- 2 The respondents have been categorised into one of three groups on each of the two scales: High, Medium and Low score and a Contingency Table has been constructed for each of the combinations. The Contingency Table has been prepared for three reasons:
  - 2.1. a Chi Square test ( $\chi^2$ ) was performed to test for dependency between the two variables.
  - 2.2. to enable the researcher to observe the frequencies within each of the combinations.



2.3. to enable the researcher to visualise the differences between the different combinations of transformational leadership (TL) and entrepreneurship (Ent).

3 Analysis of Variance (ANOVA) was done to test whether the different Entrepreneurial groups (i.e. Low, Medium and High groups) differ from each other on their transformational leadership scores.

4 ANOVA was followed by a regression analysis to determine what the nature and strength of the relationship between Transformational and Entrepreneurial Leadership is.

### 6.6.1 Correlation matrix

The Correlation Matrix in Table 6.37 indicates the relationship for each of the factors of entrepreneurship with each of the constructs of transformational leadership, as well as the intercorrelation between the totals for these two dimensions.

		Ent1	Ent2	Ent4	Ent5	Ent7	Ent Total
TL1	Correlation Coefficient	0.501	0.446	0.296	0.230	0.116	0.516
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.007	0.000
TL2	Correlation Coefficient	0.470	0.470	0.299	0.255	0.105	0.529
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.015	0.000
TL3	Correlation Coefficient	0.439	0.404	0.246	0.239	0.097	0.473
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.025	0.000
TL4	Correlation Coefficient	0.409	0.346	0.265	0.191	0.050	0.430
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.252	0.000
TL Total	Correlation Coefficient	0.540	0.480	0.310	0.266	0.100	0.571
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.020	0.000

Correlations are all significant at the .01 level (2-tailed).  
Note: N = 535

Discussion: As a first assessment, it appears that a moderate relationship exists between Entrepreneurial and transformational leadership (0.571) where the coefficient of determination of this correlation equals 32.6%. However, since the number of items is so large (N = 535), the relationship is regarded as significant (Van Lill, 2002).

It is also evident that Ent1 and Ent2 (with the exception of Ent2 with T4) correlate fairly moderately with all the transformational leadership constructs (correlation coefficients > 0.4). This does not seem to be the case for Ent3, Ent4 and Ent7, which all show correlation coefficients of less than 0.3.

#### **6.6.2 Contingency table**

The total scores on each of these two scales have been categorised in order to assign respondents to different categories of combinations of Leadership. The categories that have been decided upon were obtained from the lowest third, middle third and highest third from the cumulative percentage scores (see Addendum 2: Frequency Distribution of Ent and TL Total Scores). These three categories are presented as Low, Medium and High Leadership Qualities on each of the scales.

The Contingency table that emerged from this categorisation is reported in Table 6.38.

		Transformational Leadership			
		Low	Med	High	Total
Entrepreneurship	Low	113	52	17	182
	% of Ent total	62.1	28.6	9.3	100
	Medium	52	77	61	190
	% of Ent total	27.4	40.5	32.1	100
	High	20	44	99	163
	% of Ent total	12.3	27.0	60.7	100
	Total	185	173	177	535
	% of Ent total	34.6	32.3	33.1	100
Test Statistic $\chi^2 = 141.064$					
p-Value = 0.000					

Discussion: There seems to be strong evidence allowing one to infer that a relationship exists between entrepreneurship and transformational leadership ( $\chi^2 = 141.064$ ,  $p < 0.05$ ). This relationship is also evident from observing the frequencies. For example, those respondents who scored Low on Ent also scored Low on TL (62.1%), whilst those respondents who scored High on Ent. The majority (60,74%) scored High on TL.

In terms of the application of the chi square test, as applied in Table 6.40, the results indicate that the two variables of transformational leadership and entrepreneurship are significantly positively associated.

### 6.6.3 Analysis of variance

For the reason that the transformational leadership score distribution for the High Ent Group is not normally distributed, an Analysis of Variance could not be performed ( $\chi^2 = 29.57$ ,  $p = 0.000$  for High group).

Therefore, an alternative test that provides for the testing of more than two independent groups had to be applied. In this instance, the non-parametric Kruskal-Wallis Test was applied to test for differences between these groups (High, Medium, Low).

This rank order test of the difference between several distributions is regarded as the non-parametric alternative to the regular one-factor analysis of variance (Huysamen, 1976:297). In addition, Keller and Warack (2000:602-607) assert that this method is analogous to one-way analysis of variance with the objective of altering measures that are not acceptable, since they may lack normality. By applying the Kruskal-Wallis test, the measures are being transformed to respectability via a linear function (Kerlinger and Lee, 2000:420).

#### 6.6.4 Kruskal-Wallis test

Table 6.39: Kruskal-Wallis test			
Sample	RankSum	SampSize	
Ent Low	29973.5	182	Test Statistic H = 149.7655 P-Value = 0.000
Ent Med	53577.0	190	
Ent High	59829.5	163	

Discussion: The test indicates (Table 6.39) that at least one of the group locations differs from another. Consequently, a further test is done to determine how significant these differences are between the three groups.

From the Summary statistics (Table 6.40), the transformational leadership Scores for the Low Entrepreneurial Group are 198. For the Medium Entrepreneurial Group they are 219 and for the High Entrepreneurial Group 230.

One inference from the summary statistics provides evidence of the fact that the scores between the three groups are significant. A second deduction is that according to the statistical output, there are significant differences ( $p = 0.000$ ) between the TL scores of the three groups (i.e. Low, Medium and High).

SUMMARY TL (Transformational Leadership) Total				
Groups	Count	Sum	Average	Variance
Ent Low	182	36104	198.3736	750.8652
Ent Med	190	41725	219.6053	334.8539
Ent High	163	37571	230.4969	447.054

### 6.6.5 Regression analysis

In order to be able to explain if the values (characteristics) of transformational leadership can be explained in terms of the values (characteristics) of entrepreneurship (or to use the argument that entrepreneurship is a co-producer of transformational leadership), regression analysis is applied in this context to ascertain the extent to which entrepreneurship characteristics determine transformational behaviour in SMEs.

The results of regression analysis are presented in Table 6.41.

Discussion: The data from Table 6.41 indicate that 39.71% of the values of transformational leadership can be explained by entrepreneurship. Conversely, it is

also stated that almost 61% of the variables of transformational leadership cannot be explained by means of this model.

Table 6.41: Summary output of regression analysis between entrepreneurship and transformational leadership					
<i>Regression Statistics</i>					
Multiple R				0.630140396	
R Square				0.397076919	
Adjusted R Square				0.395945731	
Standard Error				20.3150859	
Observations				535	
<i>Analysis of Variance</i>					
	df	SS	MS	F	Significance F
Regression	1	144869.6	144869.6	351.0265	0.000
Residual	533	219970.5	412.7027		
Total	534	364840.1			
	Coefficients	Standard Error	t Stat		P-value
Intercept	46.66324619	9.064873	5.1477		0.000
Ent Total	2.302320858	0.122884	18.7357		0.000

Therefore, it stands to reason that there are other variables that (may) influence transformational leadership. However, these “other variables” do not form part of this study.

A scatter diagram of the values of the two variables (transformational leadership as presented on the Y-axis and entrepreneurship as presented on the X-axis) with a regression line added, is presented in Figure 6.3.

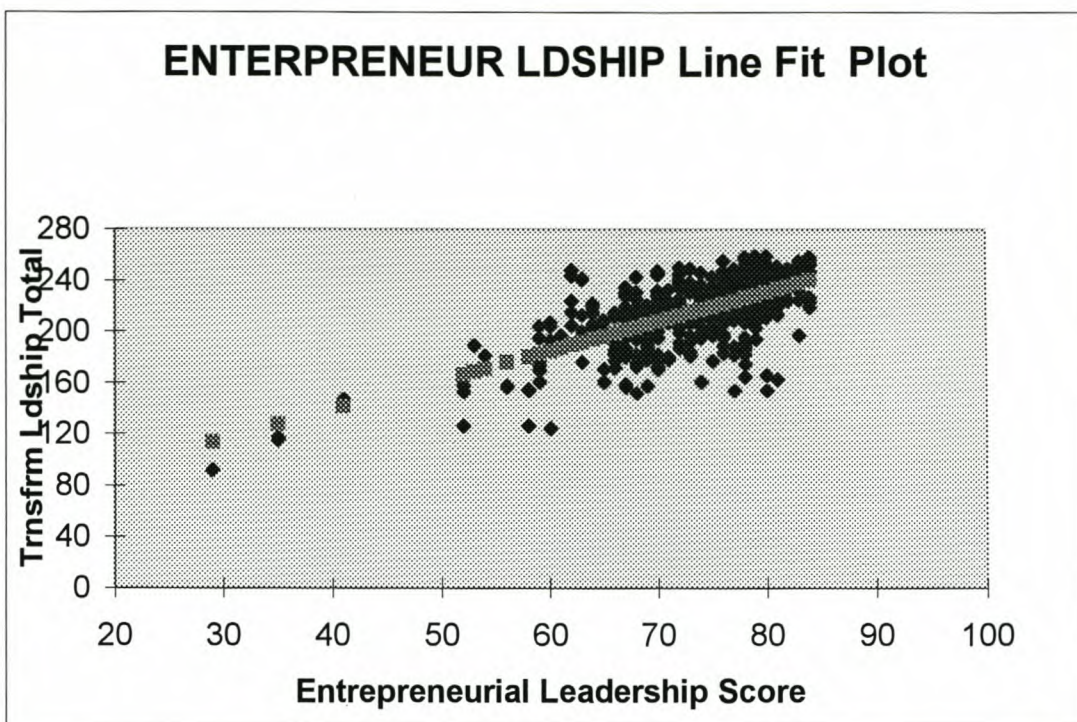


Figure 6.3: Scatter diagram – Entrepreneurship and Transformational Leadership

The assessment which can be made from the scatter diagram is that there is a significant positive relationship between entrepreneurship and transformational leadership, although there are a few outliers. Viewed differently, it can be argued that the values of transformational leadership can be explained in terms of the variations in the values of entrepreneurship.

Finally, the conclusion that can therefore be made is as follows:

that those entrepreneurs with high scores on entrepreneurship also have high scores on transformational leadership.

## 6.7 SUMMARY

This chapter dealt in its entirety with the methods and statistical procedures followed to extract data which can be used for further observation and recommendation.

In order to deal with the process of item and reliability analyses, a specific procedure of five steps was followed, viz. factor analysis, item and reliability analysis, a repeat of factor analysis on accepted items, discrimination analysis and final guidelines.

In adhering to the above procedure, factor analysis, item and reliability analysis and frequency distribution tests, were completed on each of the 6 constructs of Ent. By following the procedure as mentioned, numerous problems were identified. For example, certain items of Ent were recommended on the basis of their one-dimensionality and consistency; yet, many of these items were found to discriminate poorly. Similar problems were also found between reliability and validity.

In order to progress with the available data, the Ent dimension was analysed by means of Principal Axis Factoring, reducing the original 48 items in Ent to 32 items. A further factor analysis of the Ent dimension identified 9 factors which explained the variances. On completion of factor analysis, a reliability coefficient was completed on the remaining Ent items. The outcome of this process was a realignment of the original 6 Ent constructs into 5 factors with a total of 12 items. The latter complied with the requirements of alpha reliability.



It was only after the extensive processes, as summarised above, that the investigation into the relationship between entrepreneurship and transformational leadership could be statistically pursued. Again, a rigid and rigorous procedure of scale overview, distribution curves and descriptive statistics was followed.

Both the transformational leadership (TL) and entrepreneurship (Ent) descriptives were dealt with comprehensively; however, during the process of item analysis and discrimination ability for the Ent scale, many items with poor discrimination had to be deleted.

Furthermore, in order to develop an understanding of the relationship between entrepreneurship and transformational leadership, another four procedures were carried out, viz. correlation matrix, categorisation into score groups, analysis of variance and, finally, regression analysis.

Scott and Wertheimer (1967:320) state that results seldom manifest themselves in the anticipated way. At best, the results are often "murky". It was from the above point of departure that the researcher then had to identify ways of accounting for the failure and to develop other avenues and procedures, in order to determine what conclusions are suggested by the data.

After a rather lengthy process, it can now be inferred that a significant positive relationship exists between entrepreneurship and transformational leadership in SMEs.

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## CHAPTER 7: QUALITATIVE ANALYSIS OF PRIMARY RESEARCH DATA

### 7.1 BACKGROUND

The research question posed in this investigation is to determine whether entrepreneurs in small and medium-sized enterprises (SMEs) in the South African context possess characteristics that manifest them as transformational leaders.

In order to augment this postulation, the foundation and pillars on which a research model was constructed and the consequential assessment and judgment, were entirely based on *a-priori* theory. In other words, the foundation for the model was constructed on pure theory.

The characteristics of entrepreneurs have been identified in literature from early sources by, *inter alia*, Richard Cantillon in 1725, J.S. Mill and Jean Baptiste Say in 1803, Francis Walker in 1876, Max Weber in 1917 and Schumpeter in 1934 (Hisrich, 1986:9), followed by a floodgate and vigorous debates on elements, traits and characteristics of this group of people (i.e. entrepreneurs).

In an approach not dissimilar to the one described in the preceding paragraph (albeit at a much later chronological phase, yet at much higher levels of intensity than the entrepreneurship debate), enlightenment on the concept of transformational leaders in an organisational context was started by Burns in 1978. This "new" style of leadership brought about an intensive international debate and a wealth of literature from the middle 1980s to date on transformational leaders in large enterprises,

parastatal organisations/enterprises and public organisations (Dvir, *et al.*, 2002:735; Barling, *et al.*, 2000:157; Hunt, 1999:129-143).

However, after an intensive and comprehensive literature search (incorporating modern technological library search techniques) on the manifestation of transformational leadership in SMEs, both from an international and national perspective, it was established that empirical investigations on transformational leadership in an entrepreneurial context had neither been researched, nor published.

As a result, the research findings and results from this investigation are intended to contribute to some of the initial and pioneering work done on two elements of business (i.e. transformational leadership and entrepreneurship) which are important and influential in the survival and growth of SMEs.

## **7.2 INTRODUCTION**

This chapter presents the discussion from a qualitative perspective in interpreting the data as obtained from the statistical processes, as explained in Chapter 6. After lengthy and rigorous statistical processes, the elements constituting the entrepreneurship dimension in this study have been finalised.

During the period of finalising the data and the interpretation thereof, a colloquium

was arranged in Sweden<sup>13</sup> to expand the potential opinions and views for data explanation. From the feedback by the Swedish academics, two elements that impact on the findings of this study were crystallised and they became essential elements to the discourse of transformational leadership in entrepreneurs. These elements are:

- firstly, their argument that a perfect “fit” between entrepreneurship and transformational leadership is not possible in the context of this study. Consequently, an overlap and ambiguity between the manifestations of entrepreneurship and transformational leadership were bound to be.
- secondly, a further compelling argument made by the Swedish group referred to the fact that the study of the SMEs in this project were representative from the different venture stages in terms of start-up, industry, time, sales, and number of employees. Consequently, deviations are to be expected, as has also been supported by investigating the literature on this particular matter (cf. Timmons, 1999:243; Greiner, 1998:55-67; George, 1977:71-80; Kroeger, 1974:41-47).

The remainder of this chapter is based on intricate cross-tabulations between the constructs of transformational leadership and the factors of entrepreneurship and the testing of the hypothesis.

Table 7.1 presents the correlation coefficients between transformational leadership and entrepreneurship variables. As can be observed from the table, statistical

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<sup>13</sup> The colloquium was arranged at Linköping University, Linköping, Sweden with three academics on 7-8 June 2002. Respectively they were: Magnus Klofsten, professor of Entrepreneurship and Director: Centre for Entrepreneurship; Per Lind, professor of Industrial Management and Director: Centre for Industrial Management and Development, both from the Faculty of Economic and Management Sciences; dr. Lars Backström, Department of Psychology, Faculty of Education. Many of their ideas, discussions and suggestions have been incorporated into the discussions and interpretations presented in this chapter.

evidence has been found that a moderate relationship exists between the variables of entrepreneurial and transformational leadership (i.e.  $r > 0.4$ ,  $p = .01$ ).

In terms of the above explanation of the correlation coefficients to be used in this study, Van Lill (2002) regards the split between levels of significance and insignificance between entrepreneurship and transformational leadership (i.e. at  $r = 0.4$ ) as being too conservative<sup>14</sup>; instead, Van Lill suggests that (based on the N-value of 535 responses) another template<sup>15</sup> be incorporated to accommodate the correlation coefficients below the previously accepted level of  $r = 0.4$ .

Table 7.1: Correlation matrix* – transformational leadership and entrepreneurship						
Factors for Entrepreneurship Constructs for Transformational Leadership	Integrity & alertness Ent1	Motivation to excel Ent2	Cultural integration Ent4	Knowledge of market opportunities Ent5	Opportunities are market-driven Ent7	Ent Total
TL1 Charisma	<b>0.501</b>	<b>0.446</b>	0.296	0.230	0.116	<b>0.516</b>
TL2 Inspiration	<b>0.470</b>	<b>0.470</b>	0.299	0.255	0.105	<b>0.529</b>
TL3 Intellectual stimulation	<b>0.439</b>	<b>0.404</b>	0.246	0.239	0.097	<b>0.473</b>
TL4 Individualised consideration	<b>0.409</b>	0.346	0.265	0.191	0.050	<b>0.430</b>
TL Total	<b>0.540</b>	<b>0.480</b>	0.310	0.266	0.100	<b>0.571</b>
Correlations are all significant at the .01 level (2-tailed).						
* This matrix is a simplified version of Table 6.37, Chapter 6						

<sup>14</sup> Van Lill postulates that: 1) since the correlation coefficients are based on a large number of responses (N=535); and, 2) the participants are representative of a homogeneous group, correlate significance can indeed still be found at levels below 0.4. Furthermore, in his opinion, Van Lill states that it can not be expected that there can be more refined/precise discrimination.

<sup>15</sup> Previously, it was suggested that only those items in the constructs of entrepreneurship with correlation coefficients of  $r < 0.4$ , will be further analysed to determine reasons and to provide possible interpretations for such low correlations (see: Footnote 2 above).

Therefore, in view of Van Lill's recommendation (and after an extensive search for an additional template which could be utilised to augment the template applied in Table 7.1), it was decided to incorporate a template on the ranges of correlation coefficients and their approximate interpretations. Such a template has been applied by Phillips (1996:294) and it is presented in Table 7.2.

**Table 7.2: Ranges of correlation coefficients and their approximate interpretations**

Correlation value ( <i>r</i> )	General description
-1.0	Perfect negative correlation
-0.8 to -1.0	Very high degree of negative correlation
-0.6 to -0.8	High degree of negative correlation
-0.4 to -0.6	Medium degree of negative correlation
-0.2 to -0.4	Low degree of negative correlation
+0.2 to -0.2	Probably no correlation
+0.2 to +0.4	Low degree of positive correlation
+0.4 to +0.6	Medium degree of positive correlation
+0.6 to +0.8	High degree of positive correlation
+0.8 to +1.0	Very high degree of positive correlation
+1.0	Perfect positive correlation

*Source:* Phillips, J.J. 1996. *Accountability in Human Resource Management*. Houston: Gulf. 294.

### 7.3 METHOD FOR ANALYSIS AND DISCUSSION

In order to draw meaningful conclusions from the research findings on the relationship between entrepreneurship and transformational leadership, and based on the arguments for incorporating an additional template, the following procedure is followed:

- Firstly, the relationships between the constructs of transformational leadership and entrepreneurship are placed in different categories, as proposed by Phillips (1996:294).
- Secondly, each of these relationships are discussed and interpreted.

Table 7.3: Entrepreneurship (Ent Total) with transformational leadership constructs

Entrepreneurship (Ent Total) with:	Range of correlation coefficients		
	-0.2 to +0.2 Probably no correlation	+0.2 to +0.4 Low positive	+0.4 to +0.6 Medium positive
Charisma (TL1)			X
Inspiration (TL2)			X
Intellectual stimulation (TL3)			X
Individualised consideration (TL4)			X
Transformational Leadership Total (TL Total)			X

Discussion: From Table 7.1 and Table 7.3 the following broad-based findings regarding the relationship between entrepreneurship and transformational leadership in SMEs in a South African context are made:

- A medium degree of positive relationship exists between entrepreneurship and transformational leadership ( $r = 0.571$ ); viewed differently, owners and managers of South African SMEs possess characteristics that manifest them as transformational leaders;
- **Charisma** as a transformative characteristic measures to a medium degree of positive correlation ( $r = 0.516$ ) with these entrepreneurs;
- Similarly, **inspiration** as the second transformative characteristic measures a medium and positive degree of relationship ( $r = 0.529$ ) with South African entrepreneurs;
- The third element of transformational leadership, i.e. **intellectual stimulation**, measures a medium degree of positive correlation ( $r = 0.473$ ) with entrepreneurs; and,

- **Individualised consideration** as the fourth construct of the dimension of transformational leadership also correlates a medium positive degree ( $r = 0.430$ ) with entrepreneurs in SMEs.

In terms of the total scores between the constructs of transformational leadership and entrepreneurship in the South African context, it can be deduced that a positive relationship exists. Therefore, the supposition can be made that, taken as a whole, entrepreneurs possess elements of qualification as transformational leaders, as borne by the fact that all the transformational constructs correlate in positive degrees with entrepreneurship.

One other comment relates to the statistical coefficient of significance of  $r = 0.571$  between transformational leadership and entrepreneurship. Even though this coefficient measures the relationship only as “moderate”, the level of significance is strong, since the number of items used in the assessment is so large (Van Lill, 2002).

The following section comprises the discussion of each of the four constructs of transformational leadership (i.e. Charisma, Inspiration, Intellectual stimulation and Individualised consideration) with each of the entrepreneurship constructs.

### **7.3.1 Charisma (Idealised influence)**

Charisma is defined as providing a vision and sense of mission, instilling pride, gaining respect and trust (Bass, 1990:22). The charisma construct in Table 7.4 shows a low



positive correlation with cultural integration and knowledge of market opportunities, whereas there is probably no correlation between charisma and the fact that opportunities are market-driven.

Table 7.4: Charisma (TL1) with entrepreneurship constructs			
Charisma (TL1) with:	Range of correlation coefficients		
	-0.2 to +0.2 Probably no correlation	+0.2 to +0.4 Low positive	+0.4 to +0.6 Medium positive
Integrity & Alertness (Ent1)			x
Motivation to excel (Ent2)			x
Cultural integration (Ent4)		x	
Knowledge of market opportunities (Ent5)		x	
Opportunities are market-driven (Ent7)	x		

Discussion: Cultural integration (Ent4) is not a priority in the initial stages of the developmental phases of an enterprise ( $r = 0.296$ ). For example, Greiner (1998: 56), Stevenson (1997:9-14), Greiner (1972:38-39) and Chandler (1962) allude to the fact that the certain activities are more crucial and essential for an enterprise when it starts; however, as enterprises grow, these activities are not priorities anymore and may very well become a problem. The literature (Greiner, 1998:60) presents conclusive evidence that cultural integration does not feature at a level of significance.

With regards to Ent5 ( $r = 0.230$ ) and Ent7 ( $r = 0.116$ ), the results are not what were expected. For instance, in successful enterprises the market is a key feature in the growth and survival of the enterprise, especially in the early stages of the enterprise (Greiner, 1998:60). However, as the enterprise moves through the phases of development, the very factor which created its success may become a major problem, as there are other responsibilities which take priority. One limiting factor of

this investigation is ascribed to the fact that the questionnaire did not provide for information on the age of the enterprise.

### 7.3.2 Inspiration

Bass (1990:22) defines the construct of Inspiration as communicating high expectations, using symbols to focus efforts and expressing important purposes in simple ways. In Table 7.5 this TL construct shows no correlation with Market-driven Opportunities (Ent7) ( $r = 0.105$ ), yet there is a low positive correlation with culture (Ent4) ( $r = 0.299$ ) and knowledge of the market (Ent5) ( $r = 0.255$ ).

Inspiration (TL2) with:	Range of correlation coefficients		
	-0.2 to +0.2 Probably no correlation	+0.2 to +0.4 Low positive	+0.4 to +0.6 Medium positive
Integrity & Alertness (Ent1)			x
Motivation to excel (Ent2)			x
Cultural integration (Ent4)		x	
Knowledge of market opportunities (Ent5)		x	
Opportunities are market-driven (Ent7)	x		

Discussion: The low correlations with Ent 4, Ent5 and Ent7 are neither surprising, nor unexpected, as this finding is supported by the literature on the changes in patterns of entrepreneurial and leader behaviour (Stevenson, Roberts, Grousbeck and Bhidé, 1999:5). As enterprises accommodate the six critical dimensions of business practice (i.e. strategic orientation, the commitment to opportunity, the resource commitment process, the concept of control over resources, the concept of management, and compensation policy) a “range of behaviour” between two extremes (i.e. entrepreneurial versus administrative behaviour) is experienced as the

enterprise moves through the different phases of development. For example, Stevenson, *et al.* (1999:7-15) postulate that the entrepreneurs view opportunities and resources as the two extremes of a continuum. In terms of Ent5 and Ent7, the literature provides sufficient evidence that the entrepreneur follows opportunities quickly, but that their (long-term) commitment to that opportunity remains doubtful. In other words, entrepreneurs identify and exploit opportunities and then relinquish these to administrators (i.e. persons driven by resources).

### 7.3.3 Intellectual stimulation

Intellectual stimulation implies the promoting of intelligence, rationality, and careful problem solving (Bass, 1990:22). In terms of the data from Table 7.6 there is no correlation between Ent7 (Opportunities are market-driven) and TL3 ( $r = 0.097$ ), whereas Ent4 (Cultural integration) ( $r = 0.246$ ) and Ent5 (Knowledge of market opportunities) ( $r = 0.239$ ) correlate low, but positively with this construct of transformational leadership.

Intellectual stimulation (TL3) with:	Range of correlation coefficients		
	-0.2 to +0.2 Probably no correlation	+0.2 to +0.4 Low positive	+0.4 to +0.6 Medium positive
Integrity & Alertness (Ent1)			X
Motivation to excel (Ent2)			X
Cultural integration (Ent4)		X	
Knowledge of market opportunities (Ent5)		X	
Opportunities are market-driven (Ent7)	X		

Discussion: In terms of the model on organisational development (Greiner, 1998:56; Greiner, 1972:40), not one of these constructs (Ent4, Ent5, Ent7) features consistently at a high level of importance as an enterprise moves through the different

phases of growth. For example, in the five phases of growth (creativity, direction, delegation, coordination and, collaboration) as hypothesized by Greiner (1998:60-62), entrepreneurs concentrate on different issues as the enterprise grows, in which each phase is characterised by the dominant style to achieve growth, only to be countered by a revolutionary period in which a problem must be resolved before growth can be pursued again. Flamholtz and Randle (2000), Kao (1989:179) and Roberts (1987) all write about the increase in complexity as enterprises grow and the concomitant problems associated with each of these phases as the enterprise makes the entrepreneurial-managerial transition. Therefore, during the initial stages of start-up, entrepreneurs do not regard TL3 (Intellectual stimulation) as an element crucial to the survival of the firm, since there are other, more important short-term issues at stake, such as creating both a product and a market. In other words, their (entrepreneurs) mental energies are absorbed entirely by making and selling a new product (Flamholtz and Randle, 2000:28-46; Greiner, 1998:60). However, it would also be irresponsible not to consider these issues at other phases of growth. Since the questionnaire did not assess the age of enterprises, this information could not be ascertained.

#### **7.3.4 Individualised consideration**

In terms of the fourth construct of transformational leadership, Bass (1990:22) defines Individualised consideration as giving personal attention, treating each employee individually, coaching and advising. In terms of the fourth construct of transformational leadership, Table 7.7 shows that there is no correlation with neither Ent5 (Knowledge of market opportunities) ( $r = 0.191$ ), nor with Ent 7 (Opportunities that are market-driven)

( $r = 0.050$ ). A low positive correlation is observed between Individualised consideration and Cultural integration ( $r = 0.265$ ).

Table 7.7: Individualised consideration (TL4) with entrepreneurship constructs

Individualised consideration (TL4) with:	Range of correlation coefficients		
	-0.2 to +0.2 Probably no correlation	+0.2 to +0.4 Low positive	+0.4 to +0.6 Medium positive
Integrity & Alertness (Ent1)			X
Motivation to excel (Ent2)			X
Cultural integration (Ent4)		X	
Knowledge of market opportunities (Ent5)	X		
Opportunities are market-driven (Ent7)	X		

Discussion: The same arguments that have been made in the discussion on Intellectual stimulation (see: 7.2.3 above), are applicable in this section.

With regards to the correlation between Culture and TL4, Flamholtz and Randle (2000:36) state that a strong correlation only takes place at a much later stage in the development the enterprise – a stage they refer to as “consolidation” - during which the enterprise has made the transition to a professionally-managed firm and a stage in which management must now give attention to a real and significant asset, namely culture.

In view of the above explanation from the literature, a low, yet positive correlation was to be expected from the respondents, which implies that although the SME owners and managers may not regard culture as an important issue in the initial stages, they take cognisance of its importance as the enterprise grows and matures.

### 7.3.5 Transformational leadership and entrepreneurship constructs

In as much as the four constructs of transformational leadership all correlate positively with entrepreneurship ( $r > 0.4$ ), the range of correlations coefficients of transformational leadership total scores vis-à-vis the individual entrepreneurship constructs, vary. For example, Ent1 (Integrity and Alertness) ( $r = 0.540$ ) and Ent2 (Motivation to excel) ( $r = 0.480$ ) both correlate to a medium agree of positiveness. Ent4 (Culture) ( $r = 0.310$ ) and Ent5 (Knowledge of market opportunities) ( $r = 0.266$ ) show low degrees of positive correlation. Ent7 (Opportunities are market-driven) however shows no correlation ( $r = 0.100$ ).

Transformational Leadership (TL Total) with:	Range of correlation coefficients		
	-0.2 to +0.2 Probably no correlation	+0.2 to +0.4 Low positive	+0.4 to +0.6 Medium positive
Integrity & Alertness (Ent1)			X
Motivation to excel (Ent2)			X
Cultural integration (Ent4)		X	
Knowledge of market opportunities (Ent5)		X	
Opportunities are market-driven (Ent7)	X		

Discussion: Ent1 (Integrity and alertness) correlates with TL total with a coefficient of 0.540. Suitable evidence can be found in the literature to support this correlation. In their recent findings in a study on the determinants of leadership, Bennis and Thomas (2002:39-46) conclude that leaders find meaning from experiences and that they will learn from these circumstances in order to make themselves extraordinary leaders. In this way these leaders, *inter alia*, set attainable goals for their subordinates, exhibiting a strong sense and commitment to work. Integrity in an enterprise is also based on the value systems of the entrepreneur. The positive correlation between transformational leadership and Ent1 is, therefore, not

surprising. Recent evidence of these strong correlations is found in investigations into ethical preferences and integrity of leaders in organisations (Krishnan, 2001:126-131; Banerji and Krishnan, 2000:405-413).

Ent2 (Motivation to excel) and transformational leadership: The correlation coefficient for this factor is  $r = 0.480$  which indicates a low positive relationship. This finding was to be expected, as the characteristic of motivation to excel, is found to be a foundation characteristic of both entrepreneurs and transformational leaders.

Ent4 (Cultural integration) and transformational leadership: Cultural integration implies "getting along" with different groupings in the business environment. In this context, it is not possible to acquire concrete evidence for its low degree of correlation ( $r = 0.310$ ) with the TL Total. This correlation is rather surprising since cultural integration has been identified by Maxwell (2001) as a necessary modification in an entrepreneurial firm as a prerequisite to survive in a competitive environment. Similarly, taking an SME through the process of cultural integration creates numerous conditions of uncertainty (Atkinson and Millar, 1999:8-15; Gilmore, Shea and Useem, 1997:174-189). These conditions of uncertainty, again, create the environment in which transformational leaders flourish and excel.

A partial explanation for the low correlation between cultural integration and transformational leadership in SMEs in a South Africa context can be ascribed to decades of isolationist practices and protectionism, as has been borne out by the findings of two recent international research projects (Reynolds, Camp, Bygrave, Autio and Hay, 2001:46; Driver, *et al.*, 2001:55-56).

The two factors of isolationist practices and protection were main contributors to creating stagnant and average enterprises. As a result, an entrepreneurial culture has not been widely recognised and celebrated in a South African context.

Ent5 (Knowledge of market opportunities) and transformational leadership: This factor bears a low correlation ( $r = 0.266$ ) with transformational leadership. Again, it is difficult to find reasons from the primary research result for this low incidence, since it is contradictory to empirical findings by Timmons, Muzyka, Stevenson and Bygrave (1987:409) that entrepreneurs possess the ability to recognise and envision taking advantage of opportunities.

Ent7 (Market creates opportunities) and transformational leadership: This factor bears no correlation with the construct of TL ( $r = 0.116$ ). The primary research findings contradict empirical work by, *inter alia*, Chandler and Jansen (1992: 223-236) in which the authors postulate that entrepreneurs possess the ability to recognise opportunities. Coad and Berry (1998:164-172) and Starkey (1996) present specific arguments that individuals in organisations who act in a transformational way, provide opportunities for exploitation and learning.

From the above analysis of the relationship between the factors that represent entrepreneurship and the constructs that constitute transformational leadership, sufficient evidence was found in the primary survey, that a positive relationship between these two dimensions exists. In other words, there is statistical proof that entrepreneurs and owner/managers in South African SMEs possess moderately the



characteristics which qualify them to be transformational leaders in their respective enterprises.

Some of the deviations were to be expected, especially in view of the fact that Klofsten, Lind and Backström (2002) are critical of the fact that with the aspects of leadership, one can not be too specific or provide too much detail (which this study in both instances attempted to do) since leadership and entrepreneurship are also manifestations of behavioural modification.

#### **7.4 TESTING THE HYPOTHESIS**

In terms of the premise that there is an association between the characteristics of entrepreneurs and transformational leaders, the empirical results from this study indicate that this association is positive. Therefore, the hypothesis is accepted.

#### **7.5 SUMMARY**

This chapter presents the analysis of the data drawn from the empirical work. In this regard the relationship between transformational leadership and entrepreneurship in small to medium-sized enterprises is analysed.

Each of the four constructs constituting the dimension of transformational leadership (namely charisma, inspiration, intellectual stimulation and individualised consideration) is compared and analysed in terms of the five constructs of the entrepreneurship constructs. The objective is to determine the extent to which these

constructs (individually or collectively) are producers and co-producers of strategic transformative behaviour in SMEs.

In all instances, support for a finding, as well as the lack of support in instances where a lack of statistical evidence results, is sought from theory.

From a statistical perspective, the research results on South African SMEs prove that a relationship between transformational leadership and entrepreneurship does exist. In this regard, the hypothesis is accepted.

In order to complete the research process into behavioural aspects of transformational leadership in SMEs, the research model is revisited in Chapter 8 to determine the extent to which the research project complies with the model.

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## **CHAPTER 8:       REFINING THE RESEACH MODEL – IMPLICATIONS AND CAUSALITY**

### **8.1    BACKGROUND**

In the preceding chapter an assessment has been made to infer that the quantitative evidence from this study supports the notion that a relationship between the constructs of transformational leadership and the constructs of entrepreneurship, in the context of South African SMEs, does exist ( $r = 0.571$ ,  $p = 0.01$ ).

However, in order for this study to be completed, two matters still need to be addressed, namely one assumption<sup>16</sup> and, secondly, the issue of causality between transformational leadership and entrepreneurship.

Therefore, the conclusion of the discussion on the relationship between entrepreneurship and transformational leadership requires that the research model be addressed again. This is done in the context of a broad development strategy, as outlined in subproblem 1.3.1.3 in Chapter 1.

### **8.2    INTRODUCTION**

To facilitate the process described above, a broad strategy (model) for implementation in SMEs (to equip their leadership with a framework for strategic

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<sup>16</sup> See Chapter 1, par. 1.7.3 The third assumption: As a behavioural process transformational leadership can be learned and applied.

renewal<sup>17</sup> which incorporates structural, cultural and technological transformations) is formulated. Furthermore, the processes whereby appropriate transformations can be put into practice (i.e. the conceptual framework and long-term development approach) are presented.

The premise for the argument investigated in this section is taken from research by Kim and Mauborgne (2003a:60-69). In their assessment of raising performance in organisations they put forward the concept of "tipping point leadership". This form of leadership builds on the reality that in any organisation there are factors that exercise a disproportionate influence on performance. For example, Kim and Mauborgne (2003a:62) postulate that even though organisations may be faced with (almost) insurmountable barriers to bring about change in order to generate performance in organisations, these changes need not be of a "massive" nature.

Since 1990 the investigations by Kim and Mauborgne into 125 business and non-business organisations have lead them to conclude that fundamental changes can occur quickly when the beliefs and energy of a core group of people in the organisation create movement toward change; in other words, organisations that are hampered in their development by typical managerial hurdles (i.e. limited resources, maintenance of the *status quo*, demotivated staff and vested interests) can be turned around by tipping point leadership. Viewed differently, once the energies of a critical group of people in an organisation are engaged, change can be brought about relatively quickly.

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<sup>17</sup> Strategic renewal refers to the shaping of an organisation's strategy, structure and processes in order to achieve organisational change and effectiveness (Pawar and Eastman, 1997:80-109). A comprehensive analysis of the concept is made by Eisenbach, Watson and Pillai (1999:80-88).

This theory by Kim and Mauborgne (2003a:62) is based on the premise that transformation in the organisation "... can be unleashed only by agents who make unforgettable and unarguable calls for change, who concentrate their resources on what really matters, who mobilize the commitment of the organization's key players...". Examples of people who brought about significant strategic renewal in their organisations, to name but a few, are Jack Welch who (prior to his retirement) restructured General Electric into a major business corporation, Lee Iacocca who turned an insolvent General Motors around within 5 years and Bill Bratton of the New York Police Department who turned the latter organisation around within two years. Literature abounds with examples of a taxonomy of transformational leadership of people such as Welch, Iacocca and Bratton.

Whereas Kim and Mauborgne construct their argument by using observation and interviewing techniques, Boehnke, *et al.* (2003:5-15) use empirical data to support Kim and Mauborgne's view that when organisations experience transformational leadership behaviours, effective change can be brought about within these organisations. Boehnke, *et al.* (2003:12) concur with Kim and Mauborgne that if a leader "wants to generate exceptional performance they need a vision specific to the task at hand".

Therefore, in view of the discourse in the preceding paragraphs and also in order to further address transformational leadership in the context of SMEs, the research model requires further analysis.

### 8.3 REVISITING THE RESEARCH MODEL

In terms of the conceptual model which consists of two phases (cf. Chapter 1, par. 1.11), the review and evaluation processes in the preceding chapters address the elements identified in Phase I of the model. However, in order to determine the degree of overlap between the elements of transformational leadership with entrepreneurship characteristics, Phase II of the model is addressed forthwith, as indicated in Figure 8.1.

Thus far, the following elements of Phase II have been addressed as follows in previous chapters:

- the review of leadership and strategic behaviour in SMEs (A & B in Figure 8.1) have been undertaken in Chapter 4.
- the descriptive statistics to determine the degree of overlap with elements of the theoretical model (a in Figure 8.1) have been undertaken in Chapters 6 and 7.

Two elements in Phase II of the model require further analysis. These are:

- to compare the elements of the conceptual model; and,
- to investigate possible relationships between strategic transformational behavioural elements and individual, or sets of, profile elements of transformational leaders in the context of SMEs.

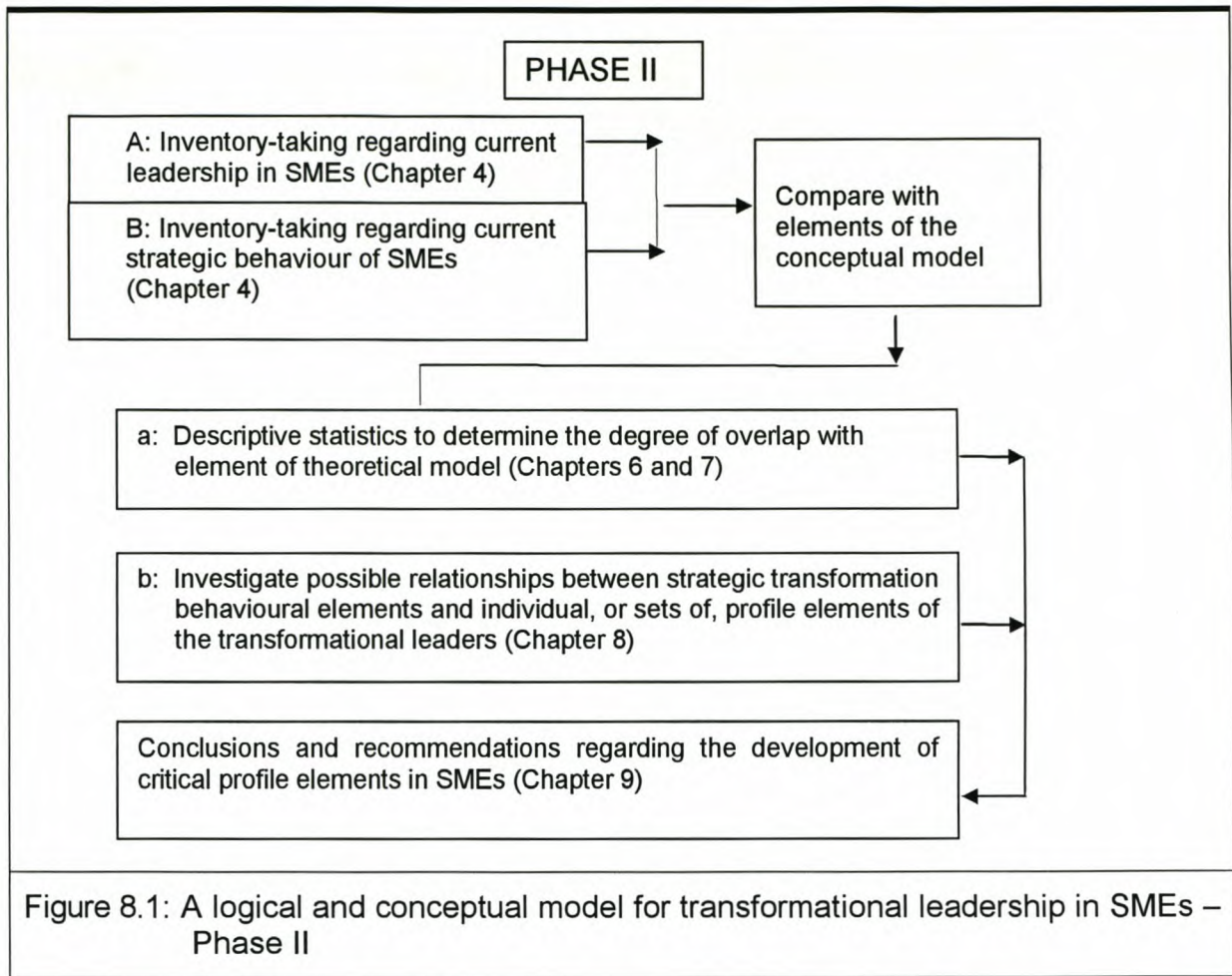
In order to proceed with the aforementioned analysis, the problem (as identified in Chapter 1, par. 1.3.1.3) is addressed as follows:

- to formulate a broad strategy (model) for implementation in SMEs to equip their leadership with a framework for strategic renewal which will incorporate structural, cultural and technological transformations.

In returning to the core problem as stated in Chapter 1, par. 1.3 and given the overlap between elements of transformational leadership and entrepreneurial leadership characteristics (as referred to in the study in par. 7.3 and par. 8.3) in terms of a core developmental framework to enhance profile elements of SME entrepreneurs, it is recommended that a generic framework be used, similar to that for the development of transformational leadership (cf. Figure 8.1).

These established frameworks hinge on a multi-developmental framework, including 1) a self-study phase whereby a range of material ranging from the philosophical to literature on environmental issues is pursued; 2) a conceptual phase during which the prospective SME transformational leader crystallises and forms key concepts of transformational leadership; 3) an experiential phase during which these concepts are applied in the context of specific SMEs, and finally, 4) an integration phase during which the newly-acquired transformational leadership knowledge and skills are integrated as part of the being of the new SME transformational leader.

Therefore, the fundamental elements of qualification in the research model (see: Chapter 4, par. 4.6) are based on the statement that “a probabilistic relationship exists between the characteristics typically associated with the ‘ideal’ SME entrepreneur and the characteristics of a transformational leader”.



In the event of the above assumption being true, three possible outcomes are expected. These are:

1. that the business of the entrepreneur who complies with the attributes of entrepreneurs will be characterised by typical strategic behaviour; and, as a result of 1 above,
2. that the business of the entrepreneur who simultaneously adheres to the attributes of transformational leadership, will be characterised by similar behaviour; and,
3. that the characteristics of the entrepreneur are intertwined with the characteristics of the transformational leader, either in that:
  - these characteristics are identical; or,



- the characteristics of the entrepreneur are preconditions for transformational leadership attributes; or,
- both transformational leadership characteristics and entrepreneurship characteristics are co-producers of strategic enterprise behaviour.

The above intertwined relationship between the characteristics of entrepreneurship and the characteristics of transformational leadership is presented in Figure 8.2. Three possible relationships between transformational leadership and entrepreneurship can be postulated.

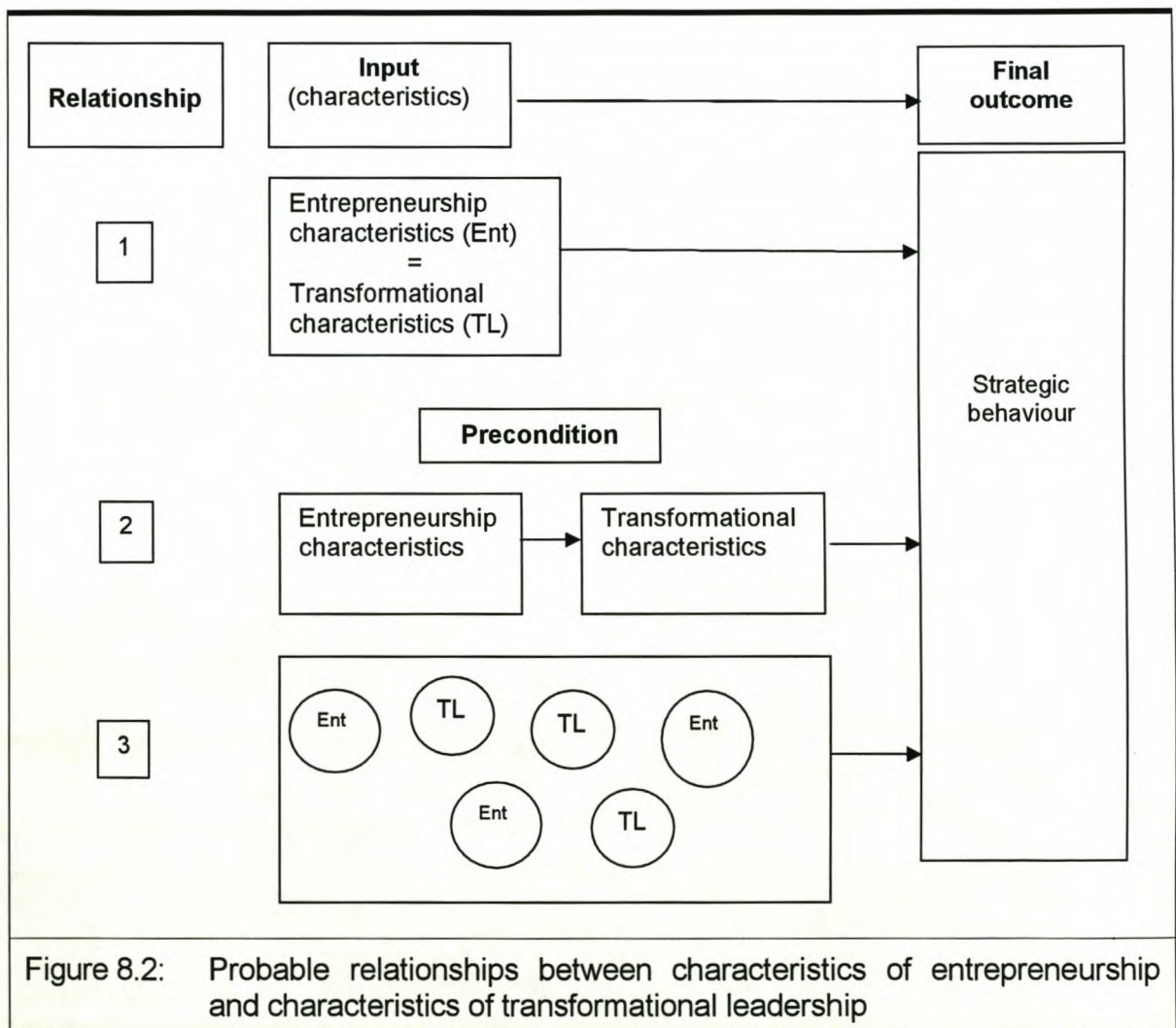
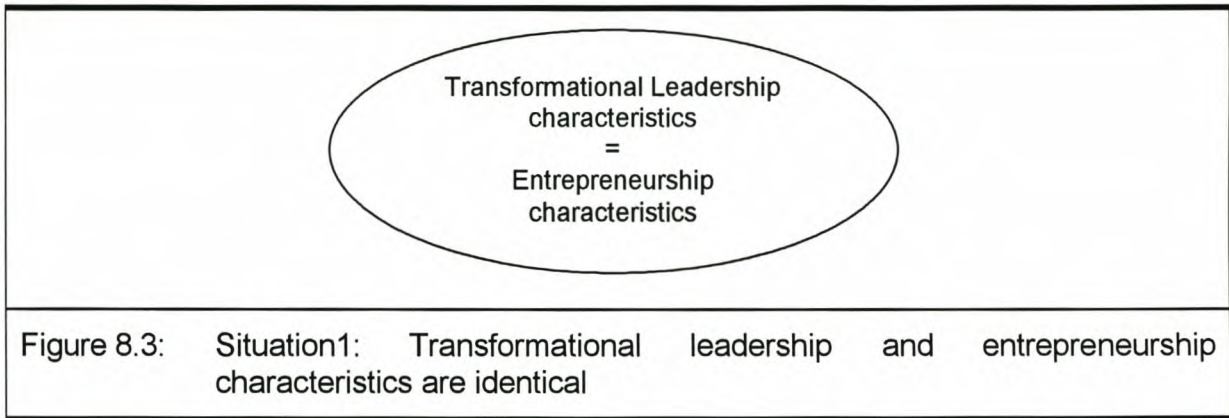


Figure 8.2: Probable relationships between characteristics of entrepreneurship and characteristics of transformational leadership

**Situation 1:** In terms of Relationship 1 as depicted in Figure 8.2, where the characteristics of entrepreneurs and transformational leaders are hypothesised to be identical, the only evidence of such similarity can be found in the positive relationship between the item totals for TL and Ent which constitute a fairly moderate relationship of ( $r = 0.571$ ). This relationship is presented in Figure 8.3.



Discussion: In terms of the research results where the total item correlation between the dimensions of transformational leadership and entrepreneurship were found to be  $r = 0.571$ , Situation 1 ought to be accepted; however, it is difficult to establish reasons at this stage for the correlation between the item totals for TL and the item totals for Ent. In essence, this correlation implies that entrepreneurs possess characteristics which personify transformational leaders. However, in several of the instances the items constituting these item totals, show lower correlation ( $r < 0.4$ ).

In order to address this condition in a constructive way, Situations 2 and 3 will be analysed and discussed, before Situation 1 can be more meaningfully addressed by means of causality further in this chapter.

**Situation 2:** In terms of Relationship 2 in Figure 8.2, the characteristics of entrepreneurs are positioned as a set of preconditions for the manifestation of transformational leadership in SMEs.

However, the research results (as illustrated by means of a Venn-diagram in Figure 8.4) present a set of relationships contradicting Relationship 2.

Discussion: The requirements of Situation 2 are not complied with and are therefore rejected. For example, according to Situation 2, entrepreneurs ought to possess all the characteristics (i.e. Ent1, Ent2, Ent4, Ent5, Ent7) before transformational leadership will manifest itself in these entrepreneurs. This precondition is not found in the research results. Instead, the latter results indicate that 3 factors of TL correlate with 2 factors of Ent. Furthermore, the data from Table 7.1 show that there is poor correlation between TL4 and Ent5 ( $r = 0.191$ ); Ent7 and TL1 ( $r = 0.116$ ); Ent7 and TL2 ( $r = 0.105$ ); Ent7 and TL3 ( $r = 0.097$ ); Ent7 with TL4 ( $r = 0.03$ ) Ent7 with TLTotal ( $r = 0.1$ ).

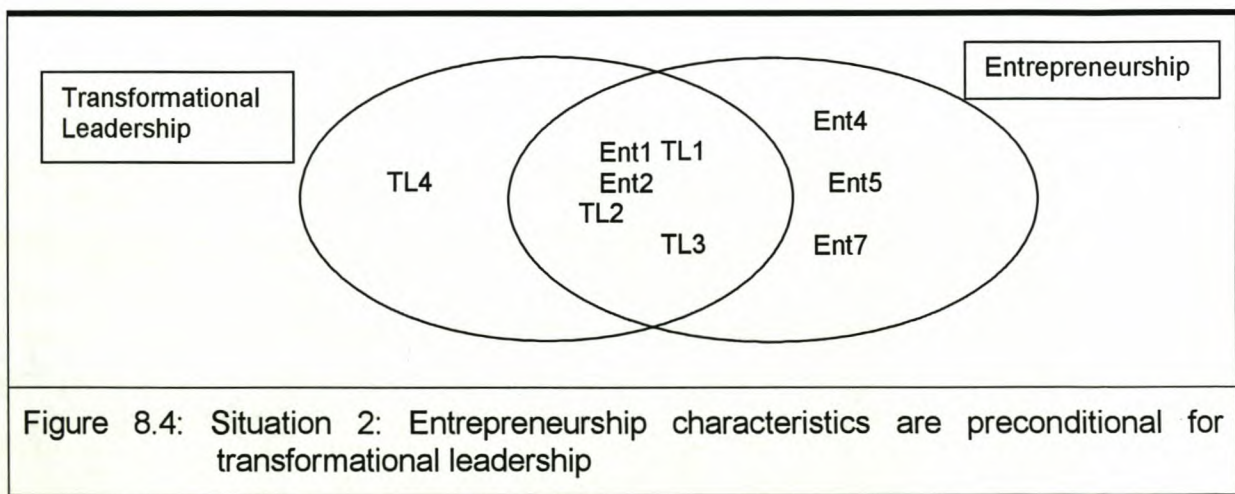


Figure 8.4: Situation 2: Entrepreneurship characteristics are preconditional for transformational leadership

The research results present no evidence that entrepreneurship characteristics are preconditional for transformational leadership to manifest itself in owners and managers of SMEs in a South African context. Therefore Situation 2 is rejected.

**Situation 3:** In terms of Relationship 3 in Figure 8.2, both transformational leadership characteristics and entrepreneurship characteristics are co-producers of strategic enterprise behaviour, as it is presented in Figure 8.5.

Discussion: From a theoretical perspective the above statement implies a total overlap and similarity between the characteristics of entrepreneurs and the characteristics of transformational leaders. Evidence from the primary research results contests Situation 3, but Situation 3 should not be rejected outright. In Situation 3 there are subscales that show a medium degree of positive correlation. For example, Ent1 and TL1 ( $r = 0.501$ ); Ent1 and TL2 ( $r = 0.470$ ); Ent1 and TL3 ( $r = 0.439$ ); Ent1 and TL4 ( $r = 0.409$ ); Ent1 and TL Total ( $r = 0.540$ ); Ent2 and TL1 ( $r = 0.446$ ); Ent2 and TL2 ( $r = 0.470$ ); Ent2 and TL3 ( $r = 0.404$ ); Ent2 and TL Total ( $r = 0.480$ ).

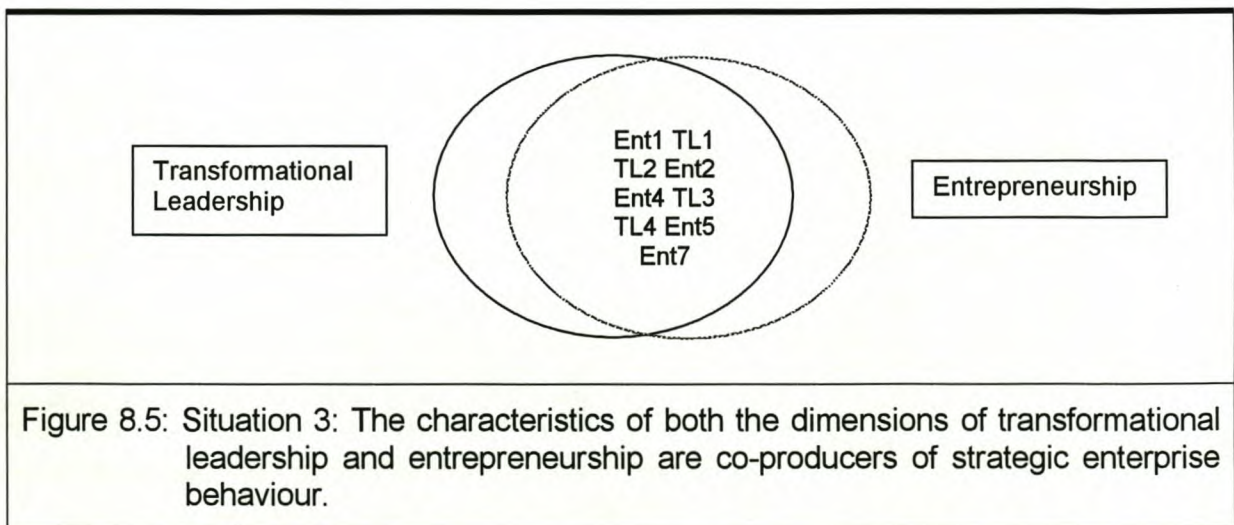


Figure 8.5: Situation 3: The characteristics of both the dimensions of transformational leadership and entrepreneurship are co-producers of strategic enterprise behaviour.

The empirical finding pertaining to the overlap between the characteristics of transformational leaders and the characteristics of entrepreneurs (as presented in Figure 8.5) is also supported by the literature. For example, when the profile elements of transformational leaders (Tichy and Devanna, 1997) are compared with those of entrepreneurs (Carson, *et al.*, 1995:55), then the degree of overlap and similarity is not surprising at all. This scenario is presented in Figure 8.6.

Profile elements of:	
Transformational leaders <sup>1</sup>	Entrepreneurs <sup>2</sup>
Change agent Courageous Believe in people Value-driven Life-long learners Deal with complex issues Visionary	Innovative and commitment to change Opportunity-focused, constantly on the lookout for new ideas The need to take calculated risks Give leadership and energise people to work with them, building them into cohesive teams Negotiate with and persuade potential investors regarding opportunities
Sources: <sup>1</sup> Tichy, N.M., Devanna, M.A. 1997. <i>The Transformational Leader: The Key to Global Competitiveness</i> . New York: John Wiley.	
<sup>2</sup> Carson, D., Cromie, S., McGowan, P., Hill, J. 1995. <i>Marketing and Entrepreneurship in SMEs: An Innovative Approach</i> . London: Prentice-Hall.	

Figure 8.6: A comparison between the profile elements of transformational leaders and entrepreneurs

Discussion: From Figure 8.6 it can now be concluded that there is a strong resemblance between secondary research data and the empirical data from this research project. Therefore, both empirical data as well as *a priori* support the notion that transformational leadership and entrepreneurship are co-producers of strategic enterprise behaviour. Furthermore, it can be deduced from Figure 8.6 that the profile elements of both groupings (i.e. transformational leadership and entrepreneurship) incorporate and support three crucial factors for SMEs. These are continuous learning, innovation and renewal. Lussier (2003:413) postulates that these three factors explain transformational leadership.

Most importantly, the profile elements of transformational leadership and entrepreneurship in Figure 8.6 signify the integration phase (cf. phases of multi-developmental framework in this chapter, p. 230) during which the newly-acquired transformational leadership knowledge and skills are integrated as part of the being of the new SME transformational leader.

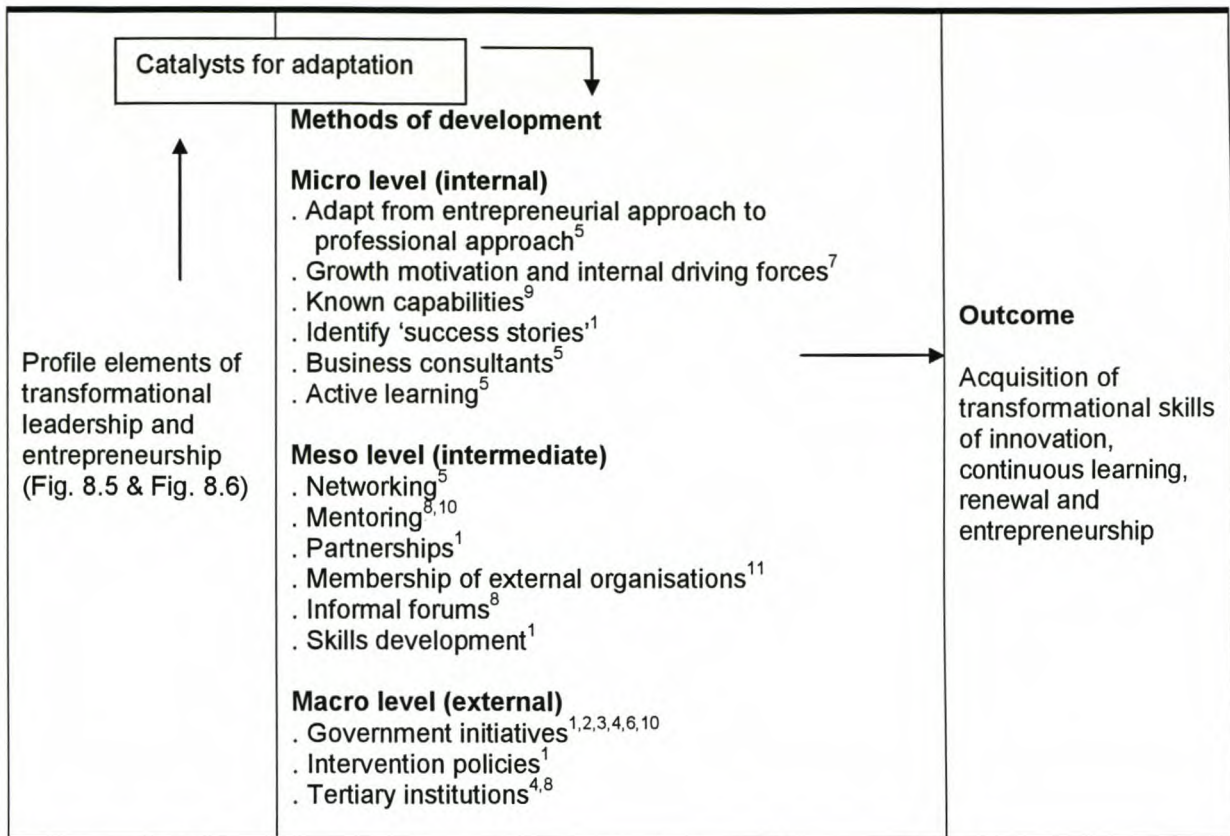
In order to conclude the discussion on the formulation of a broad development approach for SMEs to equip their leadership with a framework for strategic renewal, the following suggestions are made, as presented in Figure 8.7.

As a point of departure, it has been recognised that the entrepreneurs in SMEs function on the basis of “short-term mindedness” (Boocock, *et al.*, 1999:184; Smith and Whittaker, 1998:176) and that this process can be adjusted by means of including and incorporating adaptations of a strategic nature<sup>18</sup> (Irwin, 2000:255-260).

The abovementioned framework suggests that the profile elements for strategic behaviour in SMEs can be acquired and developed by means of a number of interventions. These catalysts, as identified in Figure 8.7, are not exclusive and can be identified in three broad groupings, namely at an internal level, at an intermediate (meso) level and at a macro level.

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<sup>18</sup> Cf. Chapter 1, par. 1.10 for a more comprehensive discussion of this concept.



Sources: Compiled from:

1. Boocock, J.G., Loan-Clarke, J., Smith, A.J., Whittaker, J. 1999. Management training and development in small and medium-sized enterprises: An assessment of the effectiveness of Training and Enterprise Councils in the East Midlands. *Journal of Small Business and Enterprise Development*. 6(2):178-190.
2. Dobson, W. 2002. A Guide to the Microeconomic Reform Strategy – A discussion paper from the Department of Trade and Industry, South Africa. May.
3. DTI (Department of Trade and Industry) *Annual Report 2000-2001*. Pretoria: DTI.
4. Foxcroft, M-L, Wood, E., Kew, J., Herrington, M., Segal, N. 2002. *Global Entrepreneurship Monitor: 2002 South African Executive Report*. Cape Town: Graduate School of Business, University of Cape Town.
5. Irwin, D. 2000. Seven ages of entrepreneurship. *Journal of Small Business and Enterprise Development*. 7(3):255-260.
6. Nieman, G. 2002. Training entrepreneurs and small business enterprises in South Africa: a situational analysis. *Education + Training*. 43(8/9):445-450.
7. Perren, L. 1999. Factors in the growth of micro-enterprises (Part 1): Developing a framework. *Journal of Small Business and Enterprise Development*. 6(4):366-385.
8. Perren, L., Grant, P. 2001. *Management and leadership in UK SMEs: Witness Testimonies from the World of Entrepreneurs and SME Managers*. London: Council for Excellence in Management and Leadership.
9. Rae, D., Carswell, M. 2001. Towards a conceptual understanding of entrepreneurial learning. *Journal of Small Business and Enterprise Development*. 8(2):150-158.
10. Smith, A., Whittaker, J. 1998. Management development in SMEs: what needs to be done? *Journal of Small Business and Enterprise Development*. 5(2):176-185.
11. Thomson, A., Gray, C. 1999. Determinants of management development in small business. *Journal of Small Business and Enterprise Development*. 6(2):113-127.

Figure 8.7: A framework for strategic enterprise behaviour.

At the internal (micro) level entrepreneurs can acquire elements of transformational leadership by adapting from an entrepreneurial approach to a more professional approach (Irwin, 2000:256), by becoming motivated and nurturing one's driving factors (Perren, 1999:368), by being aware of one's capabilities and to act accordingly (Rae and Carswell, 2001:156), and by listening to and learning from success stories (Boocock, *et al.*, 1999:187), and by utilising the knowledge and skills of appropriate business consultants (Irwin, 2000:255).

At the intermediate (meso) level, elements of transformational leadership can be acquired, *inter alia*, by establishing networks for support and advice (Irwin, 2000:259), by forming mentorships with experienced leaders (Smith and Whittaker, 1998:180; Perren and Grant, 2001:8), by forming partnerships with already existing organisations to strengthen the impact through synergy (Boocock, *et al.*, 1999:187), by acquiring membership of external organisations in order to be exposed to trends and developments (Thomson and Gray, 1999:113), by sharing experiences at informal forums (Perren and Grant, 2001:12), and by consistently developing one's skills levels (Boocock, *et al.*, 1999:187).

At the macro level, the acquisition of the elements of transformational leaders can be promoted by government within its appropriate structures in view of its acceptance of the importance of SMEs to economic development and growth (Foxcroft, Wood, Kew, Herrington and Segal, 2002:4; Dobson, 2002:23; *DTI Annual Report*, 2000-2001:6; Nieman, 2001:445; Boocock, *et al.*, 1999:187; Smith and Whittaker, 1998:177, 184), by interventionist policies targeted at those entrepreneurs with growth ambitions (Irwin, 2000:255), and by means of more formal education



opportunities at institutions of higher learning (Foxcroft, *et al.*, 2002:11; Perren and Grant, 2001:16).

In terms of the multi-developmental framework, the outcome is reflected in the newly-acquired transformational leadership knowledge and skills of the new SME transformational leader.

Concluding remarks: In a textual analysis of the conceptual building blocks of leadership and entrepreneurship, Perren and Burgoyne (2002) and Perren (2000:6) postulate that the two concepts of entrepreneurship and leadership “are similar notions and there are conceptual overlaps, but there are clearly still conceptual differences”. Furthermore, since there is unequivocal substantiation from the literature that transformational leadership can be learned (cf. par. 3, p. 16), the third assumption supports the research problem.

#### **8.4 CAUSALITY: TRANSFORMATIONAL LEADERSHIP AND ENTREPRENEURSHIP**

Argyris and Schön (1996:37-43) differentiate between the reasons for researchers and practitioners in their investigation of organisational phenomena. From a scientific research perspective there is an attempt to identify patterns in organisations in order to understand causal connections. From a practitioners’ perspective, “... they seek to discover the features of context and action that caused past successes or failures in order to design more effective systems and strategies”. Since researchers and practitioners approach causality from different perspectives, it becomes clear that they will reason about causes in different ways (Argyris and Schön, 1996:38).

In view of the above differentiation, and according to the model of causality, three “covering laws” with regard to transformational leadership in SMEs can be proposed.

These are:

1. that the occurrence of transformational leadership in SMEs presupposes the existence of entrepreneurship in such organisations; or,
2. that the existence of entrepreneurship in SMEs leads to the manifestation of transformational leadership in such organisations; or,
3. that there is no causal relationship between transformational leadership and entrepreneurship in South African SMEs.

Since this empirical survey is “situation-specific” (Argyris and Schön, 1996:41), it deals with observable facts (such as the constructs of transformational leadership and the constructs of entrepreneurship) and therefore causal deductions can be made. Similarly, Argyris (1993:59) states that with probabilistic causality “... we can only predict a degree of likelihood”.

However, Chaganti, Cook and Smeltz (2002:175-177) caution that even though transformational leadership “...seems an especially appropriate portrayal of the entrepreneur”, this style of leadership is best evaluated with longitudinal surveys, the latter statement which is also supported by Friedrich (2003).

Despite their note of caution, one of the major findings from an empirical study by Chaganti, *et al.* (2002:188) is that entrepreneurs in SMEs are "... predisposed towards transformational leadership."

According to the normal model of causality, probabilistic covering laws may be inferred from data provided by the empirical study (Argyris and Schön, 1996:39). In this regard, an attempt is made to determine whether the values of transformational leadership are uniquely determined by the values of entrepreneurship.

Olafson (in Argyris and Schön, 1996:39) refers to this type of causality as "cause by reason". In other words, in the context of this research the causal relation is that transformational leadership connects with entrepreneurship in order to realise strategic renewal in SMEs.

In view of the aforementioned "cause by reason", and since Situation 2 above is rejected by empirical evidence, it can be inferred that not all the characteristics of entrepreneurs and transformational leaders are identical. There is currently no evidence supported by empirical studies that confirms the occurrence of transformational leadership in SMEs presupposes the existence of entrepreneurship in such organisations, or that the existence of entrepreneurship in SMEs leads to the manifestation of transformational leadership in such organisations. This is an obvious area for future studies of this nature.

Based on Bass' earliest work on transformational leadership in 1985 when the interest in this leadership style was still in a stage of infancy (and therefore with

limited access to empirical data from which conclusive findings could be made), Conger (1999:149-150) makes an interesting observation that Bass could at best “... speculate that the appearance of transformational leadership might be contingent upon certain organizational contexts”. Subsequently, a wealth of empirical data has been forthcoming on the manifestation of transformational leadership in organisations (cf. Dvir, *et al.*, 2002:735; Barling, *et al.*, 2000:157; Eisenbach, *et al.*, 1999:83; Steidlmeier, 1999:181).

In view of the aforementioned argument, and given the lack of secondary data on transformational leadership in the context of SMEs (cf. Footnote 4, Chapter 1), an argument can be made that it is premature to discuss issues of causality between transformational leadership and entrepreneurship in SMEs in a South African context.

Therefore, given Conger's reference to Bass' inference in the absence of hard data in 1985, it can at best be speculated<sup>19</sup> that entrepreneurial persons may develop behavioural aspects of transformational leadership in the context of SMEs. Inferences to causality will only become possible through the implementation of longitudinal studies (Friedrich, 2003; Chaganti, *et al.*, 2002:175-177).

In conclusion, the empirical findings of this study provide strong evidence that both entrepreneurship and transformational leadership are co-producers of strategic transformational behaviour in SMEs in a South African context. However, an established correlation between two factors does not necessarily indicate the

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<sup>19</sup> The questionnaire did not make provision for the development of a measuring tool for causality.

direction of the cause-effect relationships, or that the cause-effect relationship definitely exists. If a strong relationship is found between two variables, such as between transformational leadership and entrepreneurship, then causality can be tested by using experimental studies (cf. Footnote 19).

## **8.5 PROCESSES WHEREBY TRANSFORMATIONAL LEADERSHIP CAN BE PUT INTO PRACTICE IN SMEs**

The final part of the research model is to present methods for SMEs to improve their skills of transformational leadership (cf. Figure 8.1).

Addressing subproblem 1.3.1.4 in Chapter 1 meaningfully is based on three elements:

- that transformational leadership can be learned (cf. following paragraph);
- that entrepreneurship and transformational leadership are co-producers of strategic transformative behaviour (cf. Chapter 7); and,
- that entrepreneurial learning<sup>20</sup> takes place in SMEs with growth potential (Rae and Carswell, 2001:150-158).

Based on the notion that transformational leadership is a behavioural process which can be learned (cf. par. 3, p. 16) the procedure is now to develop a course of action for SMEs in acquiring behavioural aspects of transformational leadership.

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<sup>20</sup> Entrepreneurial learning is an integrated process and takes place by means of developing confidence and self-belief through **learning** which is based on personal theory, developing known capabilities, building relationships and through active learning. Learning brings about **achieving** which is based on setting and achieving ambitious goals, and establishing personal values and motivation (Rae and Carswell, 2001:154-156). These conditions are also manifested in transformational leaders (cf. Chapter 1, par. 1.6; Lussier, 2003:413).

The implication of the aforementioned is tantamount to the fact that SME entrepreneurs can learn the techniques and obtain the qualities they need to become transformational leaders (cf. Figure 8.5). In other words, SME entrepreneurs can become transformational leaders by developing/acquiring the characteristics that inspire, energise and intellectually stimulate their employees.

Smith and Whittaker (1998:184) state that training may contribute to the overall growth of the SME sector and individual firms within it. Given this condition, entrepreneurs in SMEs need only to identify those elements of transformational leaders that they do not as yet possess and acquire these through learning (Erikson, 2003:106-112; Ibrahim and Soufani, 2002:421-430), much in the same way as entrepreneurs apply other factors to distinguish and elevate them and their enterprises to achieve higher levels of growth (Beaver and Prince, 2002:28-37; Boocock, *et al.*, 1999:178-190).

The above approach is a manifestation of the multi-developmental framework, as outlined in par. 8.3. In addition, training and education of entrepreneurs have been repeatedly cited as effective methods to reduce small business failure (Ibrahim and Soufani, 2002:421; Driver, *et al.*, 2001; Fernald, *et al.*, 1999:310-325).

Kroon (1997:172) proclaims that entrepreneurship training should be directed at those persons who can be change agents for the next decade and, in order to accommodate the aforementioned view, Cacioppe (1998:49) is of the opinion that it is important to design "leadership development programmes that contribute directly to the strategic objectives of the firm, and which help build the new type of culture suitable for this direction".

Davies, *et al.* (2002:408) observe that higher education institutions in the United Kingdom are being directed to reach out to business as a strategy to encourage universities to develop suitable learning mechanisms to assist in bridging the transfer of knowledge and skills to SMEs. Similar linkages between institutions of higher education and commerce and industry on programmes in transformational leadership have already been occurring in the USA (*SUNY*, 2003).

Training in transformational leadership is not new to South Africa. Universities are increasingly incorporating transformational leadership into postgraduate programmes; similarly, there is also evidence of the successful implementation of training programmes in transformational leadership in enterprises such as Telkom, Toyota, Coca-Cola and Liberty Life (Hellriegel, *et al.*, 2001:301).

## **8.6 SUMMARY**

This chapter dealt with two particularly important issues which were raised in the introductory chapter. In this regard one assumption, as well as the issue of causality, has been dealt with.

Three possible scenarios of linkages between entrepreneurship and transformational leadership were analysed. From the refinement of the research model, it was determined that both entrepreneurship and transformational leadership are co-producers of strategic transformational behaviour.

In terms of a creating a developmental framework for transformational leadership in SMEs, a multi-dimensional framework of a generic nature was proposed. To benefit from transformational leadership it was suggested that SME entrepreneurs access and utilise elements from all three levels, namely the micro, meso and macro level.

With regards to the matter of causality, no clarity could be obtained. As suggested, the characteristics under investigation can best be examined by means of longitudinal studies.

Finally, the manifestation of transformational leadership has been presented by means of training and education, mainly through universities which are strategically positioned to deliver this type of training. Examples of private sector training and the development of transformational leadership in organisations have already begun in South Africa.

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## **CHAPTER 9: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

“.. old certainties have been superseded by new and continuing uncertainties which make flexibility a desirable capability.”  
(Genus, 1998:5)

### **9.1 INTRODUCTION**

The final chapter presents an overview of this study by means of the following steps: to state if the hypothesis has been supported; to identify implications of the results and to make recommendations for additional study.

### **9.2 OVERVIEW**

This dissertation is premised on the hypothesis of behavioural aspects of transformational leadership in South African SMEs. Transformational leadership is all about creating a shared vision of the future, communicating the vision in convincing and compelling ways, encouraging rethinking of ideas or problems, questioning tried-and-true ways of doing things and coaching people to take on greater responsibility for developing and improving their performance.

Literature on the role and importance of SMEs in the economies of both developed and developing countries is insistent of SMEs' contribution to wealth generation, creativity and innovation, the redistribution of (business) opportunities and job creation. In addition, the literature abounds on the SME sector as a major contributor to economic activity and fulfilling a significant role as a socially-stabilising force, both

nationally and internationally. In fact, it is well-documented that SMEs form the backbone of the majority of economies worldwide.

Some of the major threats to the role, importance and significance of SMEs, as referred to above, are contained in an ever-increasing list of literature on the threats to the survival of SMEs. These threats are also as a result of insular practices and isolation from new developments in the areas of management and leadership, globalisation as well as cultural manifestations.

For the past two decades, an increasing group of scholars, researchers and practitioners have begun to comment on the phenomenon of certain types of leaders that take their organisations and enterprises from ordinary organisations to extraordinary organisations.

The term given to this style of leadership is transformational leadership and it is based continuous learning, renewal, innovation and entrepreneurship. Empirical evidence is unambiguous that these types of leaders continually take their subordinates and organisations through three acts of 1) recognising the need for revitalisation, 2) creating a new vision, and 3) institutionalising change.

Therefore, as had been reported in the literature, if this style of leadership has brought about such changes in large organisations, would the same impact not be possible in SMEs?

It is within the above context that this research study was spawned. More specifically, since leadership is a behavioural phenomenon, the researcher became interested in whether this style of leadership could also be applied to SMEs. Since there is abundant evidence in the literature that transformational leadership can be learned (cf. par. 3, p. 16), it was then a challenge to establish whether owners and managers of South African SMEs also possess behavioural aspects of transformational leadership.

Should this be the case, then these enterprises have the ability to comply with all the manifestations of transformation as had been reported in large organisations and large enterprises.

Literature abounds with absolute support for the style of the transformational leader, whose highly successful leadership style inspires extraordinary performance. Research findings from a variety of organisations in both the public and private sectors emphatically conclude that transformational leaders have a strong, positive impact on the individual, team, and company performance; they develop people to higher levels of individual and group performance; they are seen as more effective and satisfying to work for; and, they produce performance beyond expectations all round.

In view of the fact that the primary research findings established that a relationship between transformational leadership and entrepreneurship in SMEs in a South African context does exist, it can be inferred that should these characteristics be

nurtured in these SMEs in general, these SMEs could become more growth-oriented and influential in their respective industries.

Since this form of outstanding behaviour can be learned and nurtured, the literature also affirms that in instances where transformational leadership has been practised, the organisations were rewarded with considerable improvements in their business performance and innovation.

### **9.3 SUMMARY**

It is within the above framework that this study was approached. Synoptically, the study proceeded along the following framework: In Chapter 1 the background to the research problem was sketched in which transformational leadership was offered as a model for SMEs with growth potential in order to elevate these enterprises to higher levels of success. In this chapter, the problem and its setting were identified, the hypothesis was formulated and the scope of study was delimited. In addition, the assumptions were identified and discussed. The reasons for undertaking this study were presented, followed by the research design and research method. In conclusion, a conceptual model to support the approach to the research topic was presented.

Chapter 2 presented a review of the literature on leadership. It commenced with leadership challenges in South Africa in order to present a case for leaders to sustain the process of transformation, particularly in a business context. The chapter proceeded with the definitions of leadership and the historical development of this

management function. The chapter focused on the chronological review of leadership from an organisational and business enterprise perspective. The different theories on leadership were assessed, followed by a critique of each theory. The chapter concluded with an analysis of the current trends in leadership which impact on the strategic processes within organisations. In essence, the findings in this chapter alluded to the need for new theory on organisational growth and development.

In Chapter 3, the emphasis was on the theoretical underpinning of transformational leadership as the style of leadership that would be able to determine the quality of life inside and outside the workplace in the twenty-first century. Leadership was compared with management in order to extract similarities and differences between the two concepts. Furthermore, a broad discussion was made on the distinguishing characteristics between entrepreneurs and managers in order to determine similarities and differences. A review of two of the building blocks of transformational leadership (i.e. charismatic leadership and transactional leadership) was followed by an analysis of transformational leadership as a style of leadership that brings about entrepreneurship, learning, change and innovation in organisations. The chapter concluded with the identification of the profile elements of transformational leadership.

The antecedents that will drive the SME from an average enterprise to one functioning and performing at higher order levels were identified and discussed in Chapter 4. In this instance, and based on a literature survey, the theoretical model on entrepreneurship was further elaborated on. The said model forms the basis for

the argument that South African SMEs face new challenges and if they were to survive and grow, these enterprises will need to transform themselves. In this chapter the need for a theoretical framework and the construction of a model on transformational leadership were presented. In order to qualify this model, a thorough literature search was made to identify the characteristics of entrepreneurs. Once this process was completed, the elements of qualification of the model were presented, as these elements form the basis for further research in this study.

In Chapter 5 an instrument to measure transformational leadership and entrepreneurship in SMEs was developed. The basis for the constructs of transformational leadership and entrepreneurship, as contextualised in the research instrument, had been identified and refined in Chapter 4. The discussion on the creation of an item pool and the procedure for panel selection to review the items was followed by the development of the final questionnaire. The procedure of eliciting information from the respondents and the methods of follow-up to enlarge the response to levels of acceptability were presented. The chapter concluded with the procedures that had been followed in scoring and item-analysing the questionnaire, as well as the establishing of statistical procedures that dealt with problems related to item-analysis.

The statistical assessment of the empirical work was elaborated in Chapter 6. In this chapter the specific methods followed to analyse the data were presented. Each of the four constructs of transformational leadership and the six constructs of entrepreneurship were assessed in terms of factor analysis and item and reliability analysis. However, some of the items measuring the entrepreneurship dimension

created potential problems for data analysis in the sense that it was established that they discriminated poorly. Therefore, additional statistical procedures were implemented to validate the items, before a satisfactory result was achieved. Once validation had been completed, the process was finalised by which the relationship between the constructs of the two dimensions of transformational leadership and entrepreneurship could be established. The final outcome indicated a significant positive relationship between transformational leadership and entrepreneurship in the context of South African SMEs. The empirical data from the above process formed the basis for discussion and further analysis in the chapters that follow.

In Chapter 7, a qualitative analysis of the primary research data was made. Each construct of one dimension (i.e. transformational leadership) was analysed and discussed in relation to the other construct (i.e. entrepreneurship) in order to determine the extent to which transformational leadership is manifested in entrepreneurs in South African SMEs. Each of these assessments was followed by a discussion on the level of correlation and probable reasons and causes of these incidences. Elements of the research model were reviewed and the hypothesis was tested. In terms of the premise that a positive relationship (association) between the characteristics of entrepreneurship and transformational leadership in South African SMEs exists, the hypothesis was accepted.

Chapter 8 discussed the conceptual model and how each of its elements could be put into practice. In this regard, the (as yet) unresolved assumption was addressed with the view of determining the strategic linkages between the profile elements of transformational leadership and the profile elements of entrepreneurship in the

context of South African SMEs. The cause-effect relationship between the dimensions of transformational leadership and entrepreneurship was also assessed. The chapter concluded with initiatives of applying transformational leadership to enterprises.

Chapter 9 presented an overview of the research project which consisted of three distinct sections, namely a summary of the processes that were followed to reach this stage, followed by conclusions derived from the research results. The chapter ended with certain recommendations for further study in the field of transformational leadership in SMEs.

Chapter 9 is followed by the bibliography and addenda, which include statistical data, the questionnaire and relevant information pertaining to the study.

#### **9.4 CONCLUSIONS**

In the context of this study, it is clear that a “perfect fit” between transformational leadership and entrepreneurship is not possible. One of the reasons that can be postulated is reflected in the different phases of development of the enterprise, where each phase represents challenges and opportunities unique to that phase.

For example, in analysing the work of Flamholtz and Randle (2000) and Greiner (1998 and 1972) on the phases of organisational development and evolutionary and revolutionary patterns of growth, respectively, it becomes clear that leadership



practices of a transformational nature are manifested later, rather than earlier in the organisation's life-cycle.

Klofsten, *et al.* (2002) are emphatic in their assertion that one cannot be too specific when dealing with the different behavioural aspects of leadership. Furthermore, they challenge whether the items on transformational leadership and entrepreneurship had not been dealt with in too much detail in this study.

South Africa's SMEs in particular need to undergo a major process of transformation. In all probability, this is one of the primary routes to attain sought-after benefits on the local level, such as optimal employment creation and in which a more realistic spatial distribution of economic activities will be attained. In this whole transformational process, the existing SMEs support structure will have to play a key role.

(Transformational) leaders in SMEs will cope with a changing environment by means of :

- a willingness to adapt to the changing environment,
- thinking and operating globally,
- developing clear visions,
- adapting and building continuous improvements into the culture of the business,
- continuous innovation as a key strategy for survival and growth in a changing environment.

Anecdotally, there is sufficient evidence that as enterprises successfully progress through the different phases of growth, the entrepreneurs leading their enterprises through these acts, comply increasingly with the characteristics of transformational leaders. This scenario is to be expected since transformational leadership has been evidenced in larger enterprises.

## **9.5 RECOMMENDATIONS**

Although the primary focus of this study was directed at behavioural aspects of transformational leadership in SMEs, the findings ought to be perceived as an addition to the pool of knowledge on entrepreneurship. However, suggestions for further research and application should not be limited to small and medium-sized enterprises only. Corporate leaders and SME entrepreneurs need to implement and adopt leadership styles corresponding to those of the external environment. These findings also add to the knowledge base of intrapreneurship (i.e. the manifestation of entrepreneurship in large enterprises). For example, large enterprises which are intrapreneurially inclined (i.e. corporate entrepreneurship) may also benefit from these recommendations.

Recommendations for further research and follow-up of the manifestation of transformational leadership in SMEs may vary from fundamental to complex suggestions.

In view of the above statement, the following recommendations may vary in intensity and perspective, but will largely be determined by the cost factor of implementing

such research. In terms of this assertion, the following attainable recommendations are made:

### **9.5.1 Recommendations for further research**

#### **9.5.1.1 Transformational leadership and enterprise lifecycle**

Compare the age of the enterprise and the phase in which the enterprise finds itself and then compare the impact of transformational leadership on entrepreneurship. Since the questionnaire did not focus on biographic information pertaining to the enterprise (such as age of enterprise, number of employees, annual sales, etc.) which in hindsight is an oversight, it creates the potential for further research into Flamholtz and Randle's studies on the phases of organisational development and Greiner's evolutionary and revolutionary paths of growth.

#### **9.5.1.2 Item pool refinement**

Refining the item pool on characteristics of entrepreneurship in South African SMEs. Item construction for the measuring of transformational leadership in SMEs is a fertile area for further research. For this to take place and since leadership is a behavioural manifestation, the researcher ought to revisit specific theories relating to behavioural aspects of entrepreneurs.

### **9.5.1.3 Analysis of transformational leadership in specific industry sectors**

An analysis of transformational leadership in the different industries constituting the South African economy. Due to the different levels of education, skills and training in the industries that constitute the South African economy, further research into transformational leadership in the different sectors will be interesting in order to establish the prevalence of this leadership style in each industry. Since this study has contributed to the affirmation of behavioural aspects transformational leadership in SMEs in a South African context, gaps can be identified in current leadership practices to assist in planning and training in the SME sector.

### **9.5.1.4 Replicating the model on transformational leadership**

Following and building on evidence of enterprises that have shown significant growth as a result of transformational leadership (literature supports such evidence in enterprises in the USA, India, New Zealand and the United Kingdom) the question can be posed whether this model on transformational leadership in SMEs can be replicated in other southern African economies, especially member countries of the Southern African Development Community? If so, then it would have to be established how this could be done.

### **9.5.1.5 Longitudinal surveys**

Based on the findings of this study on the positive relationship between transformational leadership and entrepreneurship, longitudinal surveys can provide

invaluable results on the inter-relationships between these two dimensions in the context of SMEs. Additionally, deductions of causality will become possible through the implementation of longitudinal studies.

#### **9.5.1.6 Structural equation modelling**

In this research project Dunette's linear model was utilised to develop indicators of strategic transformational behaviour in SMEs in a South African context. However, more recent techniques such as structural equation modelling (SEM) and linear structural relations (Lisrel) present new opportunities and it is proposed to further investigate if a latent variable (or set of variables) is an underlying cause of multiple observed behaviours.

#### **9.5.2 Specific recommendations in terms of the practical application of transformational leadership for SMEs**

The recommendations in this section are drawn from the summary of applications of transformational leadership, as presented in Figure 8.7, p. 232. In terms of the research model discussed in Chapter 8, transformational leadership in SMEs can be developed at three levels, namely the macro level (external), the meso level (intermediate), and the micro level (internal). Each of these three levels presents underlying recommendations, as follows:

### **9.5.2.1 External level**

In the context of transformational leadership in SMEs in this research project at the macro level, elements of transformational leadership interventions can be acquired by means of:

- targeted support towards transformational leadership in terms of continuous learning, innovation and entrepreneurship by government, through intervention policies and tertiary institutions towards SMEs, as a major drive to improve the skills levels of these enterprises.

### **9.5.2.2 Intermediate level**

In terms of interventions at the meso level, elements of transformational leadership can be acquired by means of:

- the establishing of networks of support and advice (e.g. business angels, professional advisors, business and industry chambers);
- the forming of mentorships with experienced leaders (e.g. established business leaders, retired business executives);
- the forming of partnerships with existing business organisations (e.g. supplier/subcontracting relationships between large and small businesses), acquiring membership of external organisations so as to be exposed to trends and developments (e.g. professional and industrial support structures);

- the sharing of experiences at informal forums (e.g. sharing business experiences with fellow entrepreneurs, listening to successful peers); and,
- consistently developing one's skills (e.g. short, specific and very targeted courses).

### **9.5.2.3      Micro level**

In terms of interventions at the internal level, elements of transformational leadership can be acquired by means of:

- adapting from informal, managerial arrangements to professional and formal approaches in the enterprise (e.g. employing professional managers, improving quality management, raising equity, improving systems);
- nurturing factors of growth (e.g. motivation, developing expertise in managing growth, improve access to resources, knowledge of the demand for products);
- by being aware of one's capabilities (e.g. building on the skills and knowledge bases developed earlier in one's life);
- listening to and learning from success stories; and,
- utilising the knowledge and skills of business consultants.

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## ADDENDUM 1: STATISTICAL CLASSIFICATION OF SMALL BUSINESS

Sector or sub-sectors in accordance with the Standard Industrial classification	Size or class	Total full-time equivalent of employees	Total annual turnover (R million) Less than	Total gross asset value (fixed property excluded) (R million) Less than
Agriculture	Medium	100	5	5
	Small	50	3	3
	Very Small	10	0,5	0,5
	Micro	5	0,2	0,1
Mining & quarrying	Medium	200	39	23
	Small	50	10	6
	Very Small	10	4	2
	Micro	5	0,2	0,1
Manufacturing	Medium	200	51	19
	Small	50	13	5
	Very Small	20	5	2
	Micro	5	0,2	0,1
Electricity, Gas & Water	Medium	200	51	19
	Small	50	13	5
	Very Small	20	5,1	1,9
	Micro	5	0,2	0,10
Construction	Medium	200	26	5
	Small	50	6	1
	Very Small	20	3	0,5
	Micro	5	0,2	0,1
Retail and Motor Trade and Repair Services	Medium	200	39	6
	Small	50	19	3
	Very Small	20	4	0,6
	Micro	5	0,2	0,1
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	64	10
	Small	50	32	5
	Very Small	20	6	0,6
	Micro	5	0,2	0,10
Catering, Accommodation and other Trade	Medium	200	13	3
	Small	50	6	1
	Very Small	20	5,1	0,9
	Micro	5	0,2	0,1
Transport, Storage and Communication	Medium	200	26	6
	Small	50	13	3
	Very Small	20	3	0,6
	Micro	5	0,2	0,1
Finance and Business Services	Medium	200	26	5
	Small	50	13	3
	Very Small	20	3	0,5
	Micro	5	0,2	0,1
Community, Social and Personal Services	Medium	200	13	6
	Small	50	6	3
	Very Small	20	1	0,6
	Micro	5	0,2	0,1

Source: National Small Business Amendment Bill. 2003. Government Gazette No. 24628. Republic of South Africa.

**ADDENDUM 2: FREQUENCY DISTRIBUTION OF ENTREPRENEURSHIP (ENT) AND TRANSFORMATIONAL LEADERSHIP (TL) TOTAL SCORES**

Ent Total	Entrepreneurship				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	29	1	0.2	0.2	0.2
	35	2	0.4	0.4	0.6
	41	1	0.2	0.2	0.7
	52	3	0.6	0.6	1.3
	53	1	0.2	0.2	1.5
	54	2	0.4	0.4	1.9
	56	2	0.4	0.4	2.2
	58	3	0.6	0.6	2.8
	59	7	1.3	1.3	4.1
	60	4	0.7	0.7	4.9
	61	2	0.4	0.4	5.2
	62	6	1.1	1.1	6.4
	63	8	1.5	1.5	7.9
	64	11	2.1	2.1	9.9
	65	7	1.3	1.3	11.2
	66	10	1.9	1.9	13.1
	67	19	3.6	3.6	16.6
	68	18	3.4	3.4	20
	69	21	3.9	3.9	23.9
	70	37	6.9	6.9	30.8
	71	17	3.2	3.2	34
	72	23	4.3	4.3	38.3
	73	20	3.7	3.7	42.1
	74	18	3.4	3.4	45.4
	75	36	6.7	6.7	52.1
	76	50	9.3	9.3	61.5
	77	43	8	8	69.5
	78	47	8.8	8.8	78.3
	79	26	4.9	4.9	83.2
	80	32	6	6	89.2
	81	16	3	3	92.1
	82	14	2.6	2.6	94.8
	83	11	2.1	2.1	96.8
	84	17	3.2	3.2	100
	Total	535	100	100	

Category division:

- 0-71            Low
- 72- 77        Medium
- 78- 84        High

TL Total	Transformational Leadership				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	92	1	0.186916	0.186916	0.186916
	115	1	0.186916	0.186916	0.373832
	117	1	0.186916	0.186916	0.560748
	124	1	0.186916	0.186916	0.747664
	126	2	0.373832	0.373832	1.121495
	147	1	0.186916	0.186916	1.308411
	152	1	0.186916	0.186916	1.495327
	153	1	0.186916	0.186916	1.682243
	154	4	0.747664	0.747664	2.429907
	155	1	0.186916	0.186916	2.616822
	157	2	0.373832	0.373832	2.990654
	158	4	0.747664	0.747664	3.738318
	159	1	0.186916	0.186916	3.925234
	161	4	0.747664	0.747664	4.672897
	163	1	0.186916	0.186916	4.859813
	165	1	0.186916	0.186916	5.046729
	166	1	0.186916	0.186916	5.233645
	170	2	0.373832	0.373832	5.607477
	171	2	0.373832	0.373832	5.981308
	172	1	0.186916	0.186916	6.168224
	173	3	0.560748	0.560748	6.728972
	174	3	0.560748	0.560748	7.28972
	175	2	0.373832	0.373832	7.663551
	176	1	0.186916	0.186916	7.850467
	177	5	0.934579	0.934579	8.785047
	178	3	0.560748	0.560748	9.345794
	179	1	0.186916	0.186916	9.53271
	180	5	0.934579	0.934579	10.46729
	181	5	0.934579	0.934579	11.40187
	182	5	0.934579	0.934579	12.33645
	183	2	0.373832	0.373832	12.71028
	184	1	0.186916	0.186916	12.8972
	185	2	0.373832	0.373832	13.27103
	186	2	0.373832	0.373832	13.64486
	187	4	0.747664	0.747664	14.39252
	188	4	0.747664	0.747664	15.14019
	189	3	0.560748	0.560748	15.70093
	190	2	0.373832	0.373832	16.07477
	191	4	0.747664	0.747664	16.82243
	192	1	0.186916	0.186916	17.00935
	193	1	0.186916	0.186916	17.19626
	194	3	0.560748	0.560748	17.75701
	195	8	1.495327	1.495327	19.25234
	196	5	0.934579	0.934579	20.18692
	197	9	1.682243	1.682243	21.86916
	198	2	0.373832	0.373832	22.24299
	199	2	0.373832	0.373832	22.61682
	200	7	1.308411	1.308411	23.92523
	201	3	0.560748	0.560748	24.48598



	202	3	0.560748	0.560748	25.04673
	203	4	0.747664	0.747664	25.79439
	204	5	0.934579	0.934579	26.72897
	205	2	0.373832	0.373832	27.1028
	206	5	0.934579	0.934579	28.03738
	207	7	1.308411	1.308411	29.34579
	208	5	0.934579	0.934579	30.28037
	209	10	1.869159	1.869159	32.14953
	210	13	2.429907	2.429907	34.57944
	211	6	1.121495	1.121495	35.70093
	212	10	1.869159	1.869159	37.57009
	213	9	1.682243	1.682243	39.25234
	214	12	2.242991	2.242991	41.49533
	215	10	1.869159	1.869159	43.36449
	216	10	1.869159	1.869159	45.23364
	217	8	1.495327	1.495327	46.72897
	218	5	0.934579	0.934579	47.66355
	219	16	2.990654	2.990654	50.65421
	220	12	2.242991	2.242991	52.8972
	221	8	1.495327	1.495327	54.39252
	222	12	2.242991	2.242991	56.63551
	223	5	0.934579	0.934579	57.57009
	224	11	2.056075	2.056075	59.62617
	225	9	1.682243	1.682243	61.30841
	226	9	1.682243	1.682243	62.99065
	227	12	2.242991	2.242991	65.23364
	228	9	1.682243	1.682243	66.91589
	229	8	1.495327	1.495327	68.41121
	230	5	0.934579	0.934579	69.34579
	231	10	1.869159	1.869159	71.21495
	232	8	1.495327	1.495327	72.71028
	233	9	1.682243	1.682243	74.39252
	234	5	0.934579	0.934579	75.3271
	235	9	1.682243	1.682243	77.00935
	236	7	1.308411	1.308411	78.31776
	237	5	0.934579	0.934579	79.25234
	238	2	0.373832	0.373832	79.62617
	239	4	0.747664	0.747664	80.37383
	240	10	1.869159	1.869159	82.24299
	241	3	0.560748	0.560748	82.80374
	242	5	0.934579	0.934579	83.73832
	243	12	2.242991	2.242991	85.98131
	244	7	1.308411	1.308411	87.28972
	245	8	1.495327	1.495327	88.78505
	246	5	0.934579	0.934579	89.71963
	247	12	2.242991	2.242991	91.96262
	248	6	1.121495	1.121495	93.08411
	249	11	2.056075	2.056075	95.14019
	250	4	0.747664	0.747664	95.88785
	251	4	0.747664	0.747664	96.63551
	252	1	0.186916	0.186916	96.82243
	253	5	0.934579	0.934579	97.75701
	254	1	0.186916	0.186916	97.94393
	255	4	0.747664	0.747664	98.69159

	256	1	0.186916	0.186916	98.8785
	257	2	0.373832	0.373832	99.25234
	258	2	0.373832	0.373832	99.62617
	259	2	0.373832	0.373832	100
	Total	535	100	100	

**ADDENDUM 3: COVER LETTER TO PRELIMINARY QUESTIONNAIRE (ENGLISH)**



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October 31 1999

Name

Address

Dear

**DRAFT QUESTIONNAIRE FOR PH.D-STUDY**

I am working on my Ph.D dissertation, under the supervision of proff. Tobie de Coning and Eon Smit of the US Graduate School of Business. The title of my dissertation is: *An investigation into aspects of Transformational Leadership in South African small and medium-sized enterprises.*

In preparation for the final questionnaire, I am presently developing specific dimensions and items. From the literature four dimensions have been identified for Transformational Leadership and six dimensions for Entrepreneurship, respectively. For each dimension a list of items had been developed which describes that dimension.

The attached draft questionnaire had already been discussed with my promoters. The objective now is to present this draft questionnaire to 8 academics and 7 entrepreneurs from small to medium-sized enterprises in order to receive feedback on their interpretation for each of these dimensions, by merely indicating: Yes, No, Do not know.

From the feedback, a pool of items for each dimension which can be statistically measured will be compiled.

My promoters advised that I could approach you with the request of assessing the questionnaire. There are no right or wrong answers and it should not take more than 30 minutes of your time.

My next appointment with my supervisors is on Friday, November 7 and if possible, it would be appreciated if the questionnaire could be completed by that date.

I shall collect the questionnaire at your office – would you kindly ask your secretary to call me at 959-2620, or by e-mail at [kvisser@uwc.ac.za](mailto:kvisser@uwc.ac.za).

Thank you once more for your time.

Regards

Kobus Visser

**ADDENDUM 3: COVER LETTER TO PRELIMINARY QUESTIONNAIRE (AFRIKAANS)**



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Oktober 31 1999

Naam

Adres

Beste

**KONSEPVRAELYS VIR PH.D.-STUDIE**

Ek is tans besig om aan my Ph.D-verhandeling onder proff. Tobie de Coning en Eon Smit van die US Bestuurskool te werk.

Die titel van my verhandeling is: *An investigation into aspects of Transformational Leadership in South African small and medium-sized enterprises.*

Ter voorbereiding van die finale vraelys is ek tans besig om sekere dimensies en items te ontwikkel. Uit die literatuur is vier dimensies van Transformasieleierskap en ses dimensies van Entrepreneurskap, onderskeidelik geïdentifiseer. Vir elke dimensie is 'n reeks van items (vrae) ontwikkel wat daardie dimensie omskryf.

Die aangehegte konsepvraelys is reeds met my promoter bespreek. Tans is die doel om die aangehegte vraelys aan 8 akademië en 7 entrepreneurs van klein- en middelgroot ondernemings voor te lê om terugvoering te kry oor hoe hulle die items interpreteer, deur bloot die volgende aan te dui: *Ja, Nee, Weet nie.*

Uit hierdie terugvoering sal 'n poel van items vir elke dimensie wat statisties gemeet sal word, in die finale vraelys saamgestel word.

My promoters het genoem dat ek u kan nader met die versoek of u asseblief vir my die vraelys sal kan deurgaan. Daar is geen regte of verkeerde antwoorde nie en dit behoort nie langer as 30 minute van u tyd in beslag te neem nie.

My volgende afspraak met my promoters is Vrydag, 7 November, en indien moontlik, sa ek dit waardeer indien u asseblief vir my die vraelys teen daardie datume sal kan voltooi.

EK sal dit persoonlik by u kantoor kom afhaal – sal u sekretaresse my net telefonies by 959-2620 of per e-pos by [kvisser@uwc.ac.za](mailto:kvisser@uwc.ac.za) laat weet.

Nogmaals dankie vir u tyd

Groete

Kobus Visser

**ADDENDUM 4: PRELIMINARY QUESTIONNAIRE**

**CONSTRUCTS OF TRANSFORMATIONAL LEADERSHIP**

1.	<i>Idealized influence</i> : The ability to articulate and provide vision and a sense of mission, instilling pride and value in the firm, and gaining respect and trust.	This item explains this dimension		
	Items as possible description of the above dimension	Yes	No	Do not know
1	I talk to those I lead about my most important values and beliefs			
2	I emphasise the importance of being committed to our beliefs			
3	I specify the importance of having a strong sense of purpose			
4	I consider the moral and ethical consequences of my decisions			
5	I display conviction in my ideals, beliefs and values			
6	I take a stand on difficult issues			
7	I clarify the central purpose underlying our actions			
8	I talk about how trusting each other can help us overcome our difficulties			
9	I emphasise the importance of having a collective sense of mission			
10	I behave in ways that are consistent with my expressed values			
11	I instill pride in those I lead in being associated with me			
12	I display extraordinary talent and competence in whatever I undertake			
	Other items for consideration:			

2. <i>Intellectual stimulation</i> : The degree to which the leader promotes intelligence, rationality and careful problem-solving.		This item explains this dimension		
	Items as possible description of the above dimension	Yes	No	Do not know
1	I emphasise the value of questioning assumptions			
2	I re-examine critical assumptions to question whether they are appropriate			
3	I encourage people/those I lead to rethink ideas which have never been questioned			
4	I question the traditional ways of doing things			
5	I seek differing perspectives when solving problems			
6	I suggest new ways of looking at how we do our jobs			
7	I encourage those I lead to express their ideas and opinions			
8	I get those I lead to look at problems from many different angles			
9	I encourage non-traditional thinking to deal with traditional problems			
10	I encourage the addressing of problems through reasoning and evidence, rather than unsupported opinion			
11	I build respect from those I lead through my actions			
	Other items for consideration:			

3.	<i>Inspirational leadership</i> : The extent to which the leader communicates high expectations, using symbols to focus efforts and to express important issues in simple ways.	This item explains this dimension		
	Items as possible description of the above dimension	Yes	No	Do not know
1	I set high standards			
2	I envisage exciting new possibilities			
3	I talk optimistically about the future			
4	I express my confidence that we will achieve our goals			
5	I provide continuous encouragement for those I lead			
6	I focus the attention of those I lead on "what it takes" to be successful			
7	I talk enthusiastically about what needs to be accomplished			
8	I stimulate an awareness of essential considerations in those I lead			
9	I show determination to accomplish my goals			
10	I remain calm during crisis situations			
11	I go beyond my own self-interest for the good of our group			
12	I provide reassurance that we will overcome obstacles			
13	I display a sense of power and confidence			
	Other items for consideration:			

4.	<i>Individualised consideration</i> : The extent to which the leader gives personal attention, treats employees individually, coaches and advises them.	This item explains this dimension		
	Items as possible description of the above dimension	Yes	No	Do not know
1	I treat those I lead as individuals rather than just as members of a group.			
2	I listen attentively to the concerns of those I lead.			
3	I provide useful advice for the development of those I lead.			
4	I focus those I lead on developing their strengths.			
5	I spend time teaching and coaching those I lead.			
6	I treat each of those I lead as individuals with different needs, abilities and aspirations.			
7	I teach those I lead how to identify the needs and capabilities of others.			
8	I promote self-development amongst those I lead.			
9	I give personal attention to those I lead who seem neglected.			
10	I make personal sacrifices for the benefit of others.			
	Other items for consideration:			



## CONSTRUCTS OF ENTREPRENEURSHIP

1.	<i>Commitment and determination:</i> The ability of the entrepreneur to overcome incredible obstacles and to compensate for other weaknesses.	This item explains this dimension		
	Items as possible description of the above dimension	Yes	No	Do not know
1	I make personal sacrifices (lifestyle & family circumstances) in my attempts to make my business succeed			
2	I am realistic in what I can and cannot do and seek help to solve difficult tasks			
3	I exhibit a strong sense of determination in my work			
4	To overcome obstacles, I am persistent in solving problems and completing other tasks			
5	Success in one's own business requires discipline and tenacity in whatever one does			
6	Total immersion implies that I direct all my energies into my business			
7	I do not easily give up when facing difficult situations in my business			
8	Total commitment to my business is required from the start and is essential for survival and growth			
9	My business demands top priority with respect to time, emotions and loyalty			
10	I am able to commit and withdraw ("let go") quickly			
11	Difficult situations do not intimidate me			
	Other items for consideration:			

2. <i>Leadership: An experienced person with an intimate knowledge of technology and the marketplace, sound management skills and a proven track record</i>		This item explains this dimension		
	Items as possible description of the above dimension	Yes	No	Do not know
1	I can instill a vision of wanting to build a substantial enterprise that will make a relevant and lasting contribution to the economy			
2	Personal accomplishment, as well as setbacks, lie within one's personal control and influence			
3	I display high levels of energy in my work			
4	Leaders should maintain an effective dialogue with their employees, other firms and in the marketplace			
5	Leaders must be competent in people-management (human resource management) and team-building skills			
6	A leader is capable of making difficult decisions			
7	A leader sets high standards and achieves high goals			
8	Leaders need to be get along with many different constituencies, often with conflicting aims			
9	A dictatorial leader makes it difficult to attract and keep people			
10	Successful entrepreneurs/leaders like to take all the credit of success for themselves			
11	A leader's attitude is that of being a realist, rather than that of being invincible			
	I display high levels of urgency in tasks I want to do			
	Other items for consideration:			

3.	<i>Opportunity obsession</i> : Total immersion in the opportunity; oriented to the goal of pursuing and executing an opportunity for accumulating resources	This item explains this dimension		
	Items as possible description of the above dimension	Yes	No	Do not know
1	Opportunities are built or created by using ideas and entrepreneurial activity			
2	Changes in the business environment and the anticipation of these changes require constant vigilance			
3	Opportunities can arise from market niches not adequately served or which are overlooked by large firms			
4	Having intimate knowledge of the market creates opportunities to satisfy consumer needs			
5	Opportunities are market driven, i.e. the market determines what is required			
6	Once identified, the entrepreneur totally immerses him/herself in that opportunity			
7	Good opportunities are attainable			
8	The entrepreneur continuously searches for opportunities			
9	Opportunities are only found in attractive, large and growing markets			
10	In evaluating opportunities, entrepreneurs have to consider alternatives seriously			
	Other items for consideration:			

4. <i>Tolerance of risk, ambiguity and uncertainty</i> : The ability to manage paradoxes and contradictions. A special tolerance for ambiguous situations and for making decisions under conditions of uncertainty		This item explains this dimension		
	Items as possible description of the above dimension	Yes	No	Do not know
1	Entrepreneurs can live with modest to high levels of uncertainty concerning job and career decisions and security			
2	The preference for job security is lower on the hierarchy of preferences for an entrepreneur than for a managerial counterpart			
3	A permanent job is lower on the hierarchy of preferences for an entrepreneur than for a managerial counterpart			
4	In deciding to take a risk, entrepreneurs calculate the risk carefully and thoroughly to beat the odds			
5	I invite others to share inherent financial and business risks with me			
6	I limit the risks by carefully strategising the ends through controlling and monitoring the means			
7	Constant changes introduce ambiguity and stress into my business			
8	Successful entrepreneurs are not gamblers; instead, they take calculated risks			
9	I sustain my courage by the degree of optimism with which I view the future			
10	I manage risk by transferring it to others			
11	An entrepreneur who tolerates ambiguity and uncertainty is also comfortable with conflict			
	Other items for consideration:			

5. <i>Creativity, self-reliance and ability to adapt</i> : The high levels of uncertainty and very rapid rates of change require highly adaptive forms of organisation		This item explains this dimension		
	Items as possible description of the above dimension	Yes	No	Do not know
1	It is important that my firm is able to respond quickly and efficiently to environmental influences			
2	I believe that my accomplishments or setbacks lie within my control and that I can affect the outcome thereof			
3	A successful entrepreneur has the ability to conceptualise problems (i.e. see the implications)			
4	I am dissatisfied with the <i>status quo</i> in my business			
5	I am a restless initiator of new concepts, ideas and ventures			
6	I actively seek and take the initiative			
7	Often I put myself in a situation where I am personally responsible for the success or failure of the operation			
8	Entrepreneurs like to take the initiative to solve a problem or fill a vacuum where no leadership exists			
9	Entrepreneurs like situations where personal impact on problems can be measured			
10	Successful entrepreneurs are adaptive and resilient			
11	Entrepreneurs want to know how well they are doing and actively seek and use feedback			
12	Entrepreneurs learn through experiences of failure			
	Other items for consideration:			

6. <i>Motivation to excel:</i> Entrepreneurs are self-starters who appear driven internally by a strong desire to compete against their own self-imposed standards and to pursue and attain challenging goals		This item explains this dimension		
	Items as possible description of the above dimension	Yes	No	Do not know
1	I derive personal motivation from the challenge and excitement of creating and building enterprises			
2	Entrepreneurs are driven by a thirst for achievement			
3	Accomplishments, especially if they are successful, give entrepreneurs power			
4	In order to focus energies, entrepreneurs set high, but attainable goals			
5	Money is seen as a tool (of keeping score) rather than the object of being in business			
6	Successful entrepreneurs set high personal standards of integrity and reliability			
7	Entrepreneurs are realistic about what they can and cannot do and do not delude themselves			
8	Entrepreneurs believe that they can affect the outcome of their ventures personally			
9	Successful entrepreneurs believe in themselves			
10	An entrepreneur requires a sense of humour			
11	Other items for consideration:			

**ADDENDUM 5: COVER LETTER TO QUESTIONNAIRE (ENGLISH)**



UNIVERSITEIT • STELLENBOSCH • UNIVERSITY

8 November 1999

Dear Respondent

**PARTICIPATION IN A STUDY OF ENTREPRENEURS  
AND TRANSFORMATIONAL LEADERS**

The purpose of this letter is to invite you to participate in a research study being conducted through the Graduate School of Business of the University of Stellenbosch.

The underlying theme of the research project is to determine if there is an association between the characteristics of entrepreneurs and transformational leaders.

In order to undertake this study, a representative sample of small and medium-sized firms in South Africa has been drawn. Your firm has been randomly selected to form part of this project.

This study has a potentially extensive impact on the well-being of the small and medium-sized business sector in South Africa.

Therefore, it would be appreciated if you could complete the enclosed questionnaire, which should take approximately 20 minutes. The data collected will remain anonymous and confidential. Please note that the numbering system on the questionnaire will be applied for industry analyses only.

The researcher is registered for a doctoral degree at the Graduate School of Business, University of Stellenbosch and is a Senior Lecturer in the Department of Management at the University of the Western Cape.

Kindly return your completed questionnaire by **30 November 1999** in the reply-paid envelope.

Thank you for your participation.

Yours faithfully

Prof TJ de Coning  
(Study Leader)  
Senior Director: Distance Education

Mr Kobus Visser (Researcher)  
Department of Management  
University of the Western Cape  
Private Bag X17, BELLVILLE 7535

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AFDELING AFSTANDSONDERWYS

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Internet: <http://www.sun.ac.za/distance>

**ADDENDUM 5: COVER LETTER TO QUESTIONNAIRE (AFRIKAANS)**



UNIVERSITEIT • STELLENBOSCH • UNIVERSITY

8 November 1999

Geagte Respondent

**DEELNAME AAN 'N STUDIE OOR  
ENTREPRENEURS EN TRANSFORMASIELEIERS**

Die doel van hierdie brief is om u uit te nooi om deel te neem aan 'n navorsingsprojek wat deur die Nagraadse Bestuurskool van die Universiteit van Stellenbosch onderneem word.

Die onderliggende tema van die navorsingsprojek is om te bepaal of daar 'n verwantskap tussen die eienskappe van entrepreneurs en transformasieleiers bestaan.

Om hierdie studie te onderneem, is 'n verteenwoordigende steekproef van klein- en mediumgroot ondernemings in Suid-Afrika getrek. U onderneming is in hierdie steekproef ingesluit om deel van die projek te vorm.

Hierdie studie het 'n potensiële omvattende inslag op die welstand van klein- en mediumgroot sakesektor in Suid-Afrika.

Om hierdie rede sal dit waardeer word indien u die aangehegte vraelys sal voltooi, wat ongeveer 20 minute sal neem. Die data wat versamel word, bly naamloos en vertroulik. Neem asseblief kennis dat die stelsel van numerering slegs vir industrie-ontleding gebruik word.

Die navorser is vir doktorsale studies aan die Nagraadse Bestuurskool van die Universiteit van Stellenbosch geregistreer en is 'n Senior Lektor in die Departement van Bestuur aan die Universiteit van Wes-Kaapland.

U word vriendelik versoek om die voltooide vraelys teen **30 November 1999** in die antwoord-betaalde koevert terug te stuur.

Dankie vir u deelname.

Die uwe

Prof TJ de Coning  
(Studieleier)  
Senior Direkteur: Afstandsonderrig

Mnr Kobus Visser (Navorser)  
Departement Bestuur  
Universiteit van Wes-Kaapland  
Privaatsak X17, BELLVILLE 7535

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## ADDENDUM 6: QUESTIONNAIRE COMPLETING THE QUESTIONNAIRE

The survey is anonymous and you are requested not to write your name and address on the questionnaire. Therefore, responses cannot be traced to any individual or business.

Please note that there are no right or wrong answers to any of the items in this questionnaire. It is your opinion on each of the statements that is of importance to the researcher.

In view of the above, the free and frank expression of your own opinion will be most helpful.

This questionnaire contains a number of statements about entrepreneurs and leaders. You are requested to respond to each of the statements by putting an X in the space that most accurately fits the extent to which *the statement best describes you as the leader of your organisation*.

Having read each statement, please decide on the degree to which the statement accurately describes your *own situation and your own feelings*, using one of the seven points on the following scale:

1. Completely disagree
2. Mostly disagree
3. Slightly disagree
4. Undecided
5. Slightly agree
6. Mostly agree
7. Completely agree

For example, if you **Completely agree** with Statement 16 below, you would place an X below 7. If, on the other hand, you **Slightly disagree** with Statement 23 below, you would place an X below 3, and so on.

### Examples/ Voorbeelde:

16. I seek help to solve difficult tasks  
*Ek soek hulp om moeilike probleme op te los*

	1	2	3	4	5	6	7
16							X

23. I do not make personal sacrifices for the benefit of others  
*Ek maak nie persoonlike opofferinge tot voordeel van andere nie*

23			X				
----	--	--	---	--	--	--	--

When you have completed all the items, kindly return the questionnaire by **30 November 1999** in the self-addressed and stamped envelope provided.

Thank you for your time and willingness to participate.

## VOLTOOIING VAN DIE VRAELYS

Die opname is anoniem en u word versoek om nie u naam en adres op die vraelys te skryf nie. Gevolglik, kan die antwoorde nie na enige individu, of onderneming toe nagevolg word nie.

Neem asseblief kennis dat daar geen regte of verkeerde antwoorde vir enige van die items in hierdie vraelys is nie. Dit is u opinie vir elk van die stellings wat vir die navorser belangrik is.

In die lig van bogenoemde, sal u vrymoedigheid om 'n eerlike opinie te gee, waardeer word.

Die vraelys behels 'n aantal stellings oor entrepreneurs en leiers. U word versoek om op elk van die stellings te reageer deur met 'n X in die spatie aan te dui *hoe hierdie stelling u as leier van u onderneming die mees akkuraat beskryf*.

Nadat u elke stelling gelees het, besluit asseblief die mate waartoe die *stelling u situasie en u eie gevoel omskryf deur een* van die sewe keuses op die volgende skaal te gebruik:

1. Stem glad nie saam nie
2. Stem gedeeltelik nie saam nie
3. Verskil effens
4. Besluiteloos
5. Stem gedeeltelik saam
6. Stem meestal saam
7. Stem volkome saam

Byvoorbeeld, indien u **Volkome saamstem** met Stelling 16 hieronder, sal u 'n X onder 7 plaas. Indien u egter **Effens verskil** met Stelling 23 hieronder, sal u 'n X onder 3 plaas, en so voorts.

Nadat al die items voltooi is, plaas die vraelys in die antwoord-betaalde koevert en stuur dit asseblief teen **30 November 1999** terug.

Dankie vir u tyd en bereidwilligheid om deel te neem.

  
Kobus Visser

		1	2	3	4	5	6	7
1	I believe that I can affect the outcome of my venture personally Ek glo dat ek die uitkoms van my onderneming persoonlik kan beïnvloed	1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	I take a stand on difficult issues Ek neem standpunt in oor moeilike geskilpunte	2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	I treat each of my staff as individuals with different needs, abilities and aspirations Ek behandel elk van my personeel as individue met hul eie behoeftes, vermoëns en strewes	3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Success in my own business requires discipline and tenacity in everything I do Sukses in my eie onderneming vereis dissipline en deursettingsvermoë in alles wat ek doen	4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	My preference for a permanent job is not lower on the hierarchy than for a manager My voorkeur vir 'n vaste werk is nie laer op die rangorde as vir 'n bestuurder nie	5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	As a successful entrepreneur, I am not adaptive As 'n suksesvolle entrepreneur, is ek nie aanpasbaar nie	6	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	I seek differing perspectives when solving problems Tydens probleemoplossing, soek ek verskillende perspektiewe	7	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	I do not provide continuous encouragement for my staff Ek gee nie deurlopende ondersteuning aan my personeel nie	8	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	I emphasise the importance of having a collective sense of mission Ek beklemtoon die belangrikheid van 'n sin vir gemeenskaplike oproep	9	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	My attitude is not that of being a realist My houding is nie die van 'n realis nie	10	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	I do not have intimate knowledge of market opportunities Ek het nie intieme kennis van markgeleenthede nie	11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	I take the initiative Ek neem die initiatief	12	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	I talk enthusiastically about what needs to be accomplished in our business Ek praat met entoesiasme van dit wat in ons onderneming bereik moet word	13	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	I do not support my staff in developing their strengths Ek ondersteun nie my personeel in die ontwikkeling van hul sterkpunte nie	14	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	I avoid taking the initiative to solve a problem Ek vermy die inisiatief om 'n probleem op te los	15	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16	I seek help to solve difficult tasks Ek soek hulp om moeilike probleme op te los	16	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	I am unable to live with high levels of uncertainty concerning my career Ek kan nie met hoë vlakke van onsekerheid oor my loopbaan leef nie	17	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	I spend time training my staff Ek spandeer tyd aan die opleiding van my personeel	18	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	I do not make personal sacrifices in my attempts to make my business succeed Ek maak nie persoonlike opofferinge in my pogings om my onderneming suksesvol te maak nie	19	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	I do not easily give up when facing difficult situations in my business Ek gee nie maklik toe gedurende moeilike omstandighede in my onderneming nie	20	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21	I am not capable of making difficult decisions Ek is nie bevoegd om moeilike besluite te neem nie	21	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

22	I do not give personal attention to my staff who seem neglected Ek gee nie persoonlike aandag aan my personeel wat blykbaar afgeskeep word nie	22	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23	I do not make personal sacrifices for the benefit of others Ek maak nie persoonlike opofferinge tot voordeel van ander nie	23	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24	I know that opportunities are market-driven Ek weet dat geleenthede deur die mark gedryf word	24	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	To overcome obstacles, I am persistent in solving problems Om struikelblokke te oorwin, volhard ek om probleme op te los	25	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26	I need to get along with many different groupings in the business environment Ek moet met baie veskillende groeperinge in die sake-omgewing kan saamwerk	26	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27	I consider the moral/ethical consequences of my decisions Ek oorweeg die morele/etiese gevolge van my besluite	27	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28	Successful accomplishments give me power Suksevolle dade gee my mag	28	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29	In order to focus my energies, I set high attainable goals Om my energie te konsentreer, stel ek hoë bereikbare doelstellinge	29	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30	I encourage the addressing of problems through reasoning Ek moedig probleemoplossing op grond van beredenering aan	30	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31	I do not emphasise the importance of being committed to our beliefs Ek belemtoon nie die belangrikheid om in ons oortuigings te glo nie	31	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32	I exhibit a strong sense of determination in my work Ek openbaar sterk deursettingsvermoë in my werk	32	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33	As an entrepreneur, I do not need a sense of humour As 'n entrepreneur hoef ek nie 'n sin vir humor te hê nie	33	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
34	I do not sustain my courage by the degree of optimism with which I view the future Ek hou nie moed met die mate van optimisme oor hoe ek die toekoms sien nie	34	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35	I derive personal motivation from the challenge of creating enterprises Ek kry persoonlike motivering van die uitdaging om ondernemings te skep	35	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
36	In evaluating opportunities, I have to seriously consider alternatives Tydens die evaluering van geleenthede, moet ek ander keuses aandagtig oorweeg	36	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37	I do not maintain an effective dialogue with my employees Ek hou nie 'n goeie dialoog met my werknemers nie	37	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
38	I treat my staff as individuals rather than as members of a group Ek behandel my personeel as individue eerder as lede van 'n groep	38	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
39	A dictatorial leader does not make it difficult to attract staff Dit is nie moeilik vir 'n gebiedende leier om personeel aan te trek nie	39	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
40	I do not specify the importance of having a strong sense of purpose Ek beklemtoon nie die belangrikheid om 'n sterk sin vir voornemens te hê nie	40	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
41	I do not emphasise the value of questioning assumptions Ek beklemtoon nie die waarde om aannames te bevraagteken nie	41	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42	I like situations where my personal impact on problems can be measured Ek verkies geleenthede waar my persoonlike invloed op probleme gemeet kan word	42	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
43	I go beyond my own self-interest for the good of our group Ek stel my eie belange onder dit wat vir die groep belangrik is	43	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

44	I do not talk to my staff about my most important values and beliefs Ek praat nie met my personeel oor my mees belangrike waardes en oortuigings nie	44	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
45	I display conviction in my ideals and values Ek openbaar die oortuigings van my ideale en waardes	45	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
46	I question the traditional ways of doing things Ek bevraagteken die tradisionele wyse waarop iets gedoen word	46	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
47	Difficult situations intimidate me Moeilike situasies intimideer my	47	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
48	It is not important for me to be competent in team-building Dit is nie vir my belangrik om bevoegd in spanbou te wees nie	48	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
49	I have the ability to conceptualise problems Ek het die vermoë om probleme te kan konseptualiseer	49	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
50	It is important that my firm is able to respond with efficiency to environmental influences Dit is belangrik dat my onderneming doeltreffend teenoor omgewingsinvloede kan reageer	50	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
51	I re-examine critical assumptions to question whether they are appropriate Ek herondersoek kritiese aannames om die toepaslikheid daarvan te bevraagteken	51	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
52	I encourage my staff to rethink ideas which have never been questioned Ek moedig my personeel aan om idees wat nooit bevraagteken is nie, opnuut te deurthink	52	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
53	I envisage exciting new possibilities Ek beoog opwindende nuwe moontlikhede	53	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
54	I am dissatisfied with the status quo in my business Ek is nie met die huidige toestand in my onderneming tevrede nie	54	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
55	I am not personally responsible for the success/failure of the business Ek is nie persoonlik vir die sukses/mislukking van die onderneming verantwoordelik nie	55	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
56	I am not driven by a thirst for achievement Ek word nie deur 'n drang na prestasie gedryf nie	56	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
57	I do not talk optimistically about the future Ek praat nie optimisties oor die toekoms nie	57	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
58	If I tolerate ambiguity, I am not comfortable with conflict Indien ek dubbelsinnigheid verdra, is ek nie met konflik gemaklik nie	58	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
59	I do not teach my staff how to identify the capabilities of others Ek leer nie my personeel om die vermoëns van ander te identifiseer nie	59	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
60	I do not clarify the central purpose underlying our actions in our business Ek verduidelik nie die sentrale doelstelling van die optredes in ons onderneming nie	60	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
61	I do not behave in ways that are consistent with my expressed values My gedrag stem nie ooreen met my voorgestelde waardes nie	61	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
62	Total commitment is not essential for the survival of my business Algehele toewyding is nie belangrik vir die sukses van my onderneming nie	62	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
63	I do not use entrepreneurial activities to create opportunities Ek gebruik nie entrepreneuriese aktiwiteite om geleenthede te skep nie	63	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
64	I provide reassurance that we will overcome obstacles Ek gee die versekering dat ons hindernisse sal oorkom	64	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
65	I do not continuously search for opportunities Ek soek nie deurentyd na geleenthede nie	65	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
66	I learn through experiences of failure Ek leer deur die ervarings van mislukking	66	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

67	I set high personal standards of integrity Ek stel hoë persoonlike standaarde van integriteit	67	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
68	I take calculated risks Ek neem berekende risiko's	68	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
69	I do not communicate to my staff about how trusting each other can help us overcome our difficulties Ek kommunikeer nie met my personeel oor hoe vertroue in mekaar ons kan help om probleme te oorbrug nie	69	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
70	Job security is not lower for me (entrepreneur) than for a manager Werksekuriteit is nie vir my (entrepreneur) minder as vir 'n bestuurder nie	70	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
71	I can instill a vision of wanting to build a substantial enterprise that will make a lasting contribution to the economy Ek kan die visie inboesem om 'n onderneming te bou wat 'n blywende bydrae tot die ekonomie sal maak	71	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
72	My business demands top priority with respect to loyalty My onderneming vereis die hoogste voorrang met betrekking tot lojaliteit	72	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
73	I do not encourage non-traditional thinking to solve traditional problems Ek moedig nie nie-tradisionele denkpattone aan om tradisionele probleme op te los nie	73	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
74	I do not stimulate the awareness of essential considerations amongst my staff Ek stimuleer nie die bewustheid van belangrike oorwegings onder my personeel nie	74	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
75	I do not seek feedback on how well I am doing in my business Ek soek nie terugvoering oor hoe goed ek in my onderneming vaar nie	75	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
76	I do not suggest new ways of looking at how we do our jobs Ek maak nie voorstelle van nuwe maniere om ons werk te doen nie	76	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
77	I am aware that changes in the business environment require constant vigilance Ek is bewus dat veranderinge in die sake-omgewing deurlopende waaksaamheid vereis	77	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
78	I can not stimulate my staff to assess problems from a different viewpoint Ek kan nie my personeel stimuleer om probleme vanuit 'n verkillende gesigspunt te benader nie	78	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
79	I provide useful advice for the development of my staff Ek verskaf bruikbare inligting vir die ontwikkeling van my personeel	79	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
80	I do not promote self-development amongst my staff Ek bevorder nie die selfontwikkeling van my personeel nie	80	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
81	I do not direct all my energies into my business Ek vestig nie al my energie op my onderneming nie	81	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
82	I know that opportunities can arise from market niches not adequately served by large firms Ek weet dat geleenthede deur markgapings kan ontstaan wat nie voldoende deur groot ondernemings bedien word nie	82	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
83	I do not listen attentively to the problems of my staff Ek luister nie aandagtig na die probleme van my personeel nie	83	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
84	I remain calm during crisis situations Ek bly kalm gedurende krisistoestande	84	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
85	As a successful entrepreneur, I believe in myself As 'n suksesvolle entrepreneur, glo ek in myself	85	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IMPORTANT	BELANGRIK
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Please return the questionnaire by November 30 1999.  
*Stuur die vraelys teen 30 November 1999 terug asseblief.*

Should you wish to receive a summary report of the reseach project, please provide your name and postal address below:

*Indien u belangstel om 'n verkorte verslag van die navorsingsprojek te ontvang, verskaf asseblief u naam en posadres hieronder:*

Name/*Naam:*

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Address/*Adres:*

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Postal code/*Poskode:*

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