

# **The relationship between leadership style and company performance: A study of South African non-listed companies**

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**A research report submitted to the University of Stellenbosch Business School, in partial fulfilment of the requirements for the degree of Master of Business Administration**



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## **DECLARATION**

I, Kazeem Jogunola, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of Stellenbosch, Cape Town. It has not been submitted before for any degree or examination in this or any other university.

Kazeem Jogunola

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This research report is dedicated to my wife, Akiko Jogunola and my children Temidayo and Tobiloba. Thanks for being the inspiration behind my decision to study further. Thanks for believing in me during extremely difficult times.

## **ABSTRACT**

The discussions on leadership and strategy have attracted considerable interest from academics on one hand and business practitioners on the other. Much of the interest lies in claims that both leadership and strategy are linked to business performance. This research report examines the nature of the relationship between different leadership styles and organisation performance.

The research study hypothesised that either authoritative leadership style leads to achievement of the business strategic plan (hypothesis 1) or that participative leadership style leads to achievement of the business strategic plan (hypothesis 2).

The research was a quantitative study; data was collected by means of interviews and telephone questionnaires which were administered on 38 randomly selected business owners and senior managers. A linear regression method was used to test the hypothesis.

The regression analyses revealed that participative leadership style and performance and authoritative leadership style are not related. These two variables each explain less than one per cent of the variance in performance. As a result, both null hypotheses were not rejected. This research concludes with a number of implications for further research studies.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

CEO	= Chief Executive Officer
CFO	= Chief Financial Officer
COO	= Chief Operating Officer
ICT	= Information and Communications Technology
SPSS	= Statistical Package for the Social Sciences



## **CHAPTER 1: INTRODUCTION**

### **1.1 INTRODUCTION**

When it comes to implementing a strategy, many companies find themselves hindered at the point of execution. Having identified the opportunities within their reach, they watch as the results fall short of their aspirations. Too few companies recognise the reasons.

Mismatched capabilities, poor asset configurations, and inadequate execution can all play their part in undermining a company's strategic objectives. Although well-regarded corporations tend to keep these pitfalls squarely in their sights, the experience has been that far fewer companies recognise the leadership capacity that new strategies will require, let alone treat leadership as the starting point of strategy. This oversight condemns many such endeavours to disappointment (Hsieh & Yik, 2005: 65).

The shortcomings of a bad strategy are usually painfully obvious. However, a good strategy can also fail. An efficient strategy implementation has an enormous impact on a company's performance (Andreas, 2005: 141-146). Many writers have pointed out that ineffective strategy implementation can cripple an organisation because the needed strategic planning and processes

are wasted. Also, they have stated that strategic initiatives often fail to achieve the intended results because of problems in execution.

There are many reasons why strategies fail. The purpose of this research is not to look at the reason(s) why strategies fail, but rather to bring to the fore the role that leadership style plays in achieving successful performance for an organisation. Understanding the thought processes and behavioural skills that influence organisational performance in today's rapidly changing business environment is crucial according to Bailey (2003: 85).

According to Pearse & Sims (2002, 172-197), leadership styles have different effects on group and organisational performance. A study conducted by O'Regan & Ghobadian (2004: 76) revealed that transformational leadership style had the greatest impact on performance compared to other leadership styles.

Leadership literatures have underscored the significance of the role of leadership in strategy and organisational performance, and the role of leadership is often decisive in the accomplishment of strategy.

Research has been conducted by scholars in several distinct subfields, including leadership, strategic management, human resources, organisational culture and/or organisational change. These studies have revealed a link between leadership and organisational performance by arguing that the effectiveness of a leader is a major determinant of the success or failure of an organisation.

Different types of leadership styles emerged from the literature review, which include participative, authoritative, coaching, neutral, transformational and transactional styles. There is no agreement to date on the accepted style of leadership. Most of these styles have overlapping attributes. The literatures also revealed many studies that were conducted to understand the relationships to performance between transactional and transformational leadership style (O'Regan & Ghobadian, 2004). However, very little research has been conducted to investigate the link between participative and authoritative leadership style and organisational performance. As a result, this study will focus on the relationships between participative leadership style and performance and authoritative leadership style and performance. Thus, the questions that have been asked in the questionnaire were consistent with the two typologies.

The aim of this paper is to provide empirical evidence of the links between different types of leadership styles; namely participative and authoritative styles and performance, which for the purpose of this study has been defined as the achievement of objectives of the strategic plan of an organisation. This is achieved through the presentation of the results of a cross-sectional survey of leadership styles and performance across non-listed South African companies.

**The study seeks to answer the following fundamental question:** Is leadership style a significant factor in achieving the objectives of a strategic plan?

## **1.2 What evidence verifies the identification of the problem?**

According to Allio (2005), data shows that the majority of strategy initiatives are unsuccessful. This view is supported by findings from a study conducted by McKinney (Hsieh & Yik, 2005: 65), which revealed that only about a third of strategies were successfully implemented. Although the growing need for change in organisations is widely acknowledged by researchers, it is alleged that up to 70 per cent of change initiatives fail (Malcom & Rowland, 2005: 121-151). Bossidy & Charan (2002) state that strategies fail because organisation leadership does not make a realistic assessment of whether the organisation can execute the plan.

## **1.3 Why was this topic selected?**

The topic was selected primarily for academic reasons. The topic of strategy and leadership has attracted a considerable interests from academic and business practitioners as well as management consultants (Hsieh & Yik, 2005). The literature on leadership provides insights about the influence of leadership style of top executives of listed firms on business performance (Hsieh & Yik, 2005). Research to date has left many with an understanding of the existence of different leadership styles; these are hypothesised to influence organisational performance in different ways. However, little critical research attention has been devoted to understanding the linkage between the leadership style and the achievement of objectives of an organisation's performance in a small business setting. The present study hopes to close this gap and establish a relationship between leadership style and performance, which for the purpose of this study is meant to mean the achievement of the objectives of a strategic plan. The study focuses on performance at an organisational level and not at an individual level. In view of this gap, this research could benefit existing business owners, would-be entrepreneurs, directors and managers.

Hsieh & Yik (2005: 67) believe that thinking about leadership upfront can affect the direction, path and the actual outcome of a strategy. Furthermore, Hsieh & Yik (2005) caution that failure to assess leadership capacity systematically before launching strategic initiatives can leave

executives scrambling to fill gaps at the last minute – with significant consequences. Organisations are reflections of their leaders. The values and beliefs of the leader determine how matters are interpreted and acted upon. The choices that leaders make affect organisational performance (Boal & Hooijberg, 2000: 515-549).

#### **1.4 What is the relevance of this topic to businesses in South Africa?**

This study contributes to academic literature in many ways, some of which are mentioned below:

- Given the high failure rate of business strategic initiatives, this study seeks to raise awareness about the importance of leadership in achieving organisation strategic plans, and the implication this has for entrepreneurs, business owners, directors and managers.
- This study is unique because most of the previous literature have focussed on leadership and performance of listed companies and big conglomerates, but this study focuses on small and medium scale companies. The study also focuses solely on the relationships between performance and the two types of leadership, namely participative and authoritative leaderships.
- By focussing on leadership style and performance, this study hopes to shed some light on how leadership style influences the achievement of the objectives of a strategic plan of an organisation.

The paper begins with a brief review of literature on strategy, strategy implementation and leadership. This is followed by a discussion of the methodology adopted for the study and the presentation of the findings and analysis of responses to a mailed questionnaire and interview. The aim of the questionnaire and interview was to explore the links between participative leadership style and performance and authoritative leadership style and performance. In the final part of the paper, the conclusions and implications of the study are highlighted.

## CHAPTER 2: LITERATURE REVIEW

### 2.1. INTRODUCTION

The purpose of this chapter is to present a review of the existing body of knowledge which is of relevance to this research project. The literature review cover three areas of interest, namely strategy, strategy implementation and leadership. The chapter will review different outcomes of previous studies on the relationship between leadership style and organisational performance. The headings of the research report and some of the literature under these headings are set out in this section.

### 2.2. Strategy

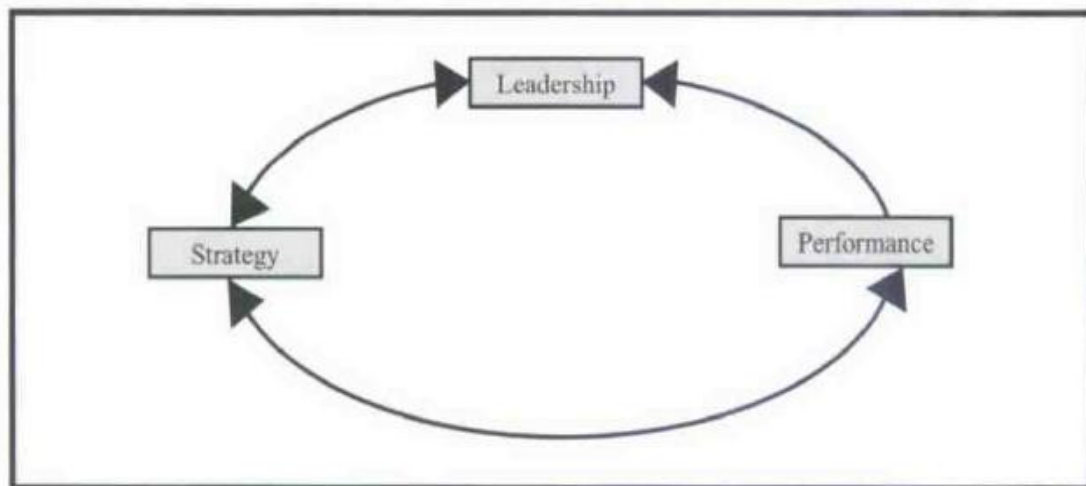
Before looking at the relationship between strategy, leadership styles and performance. Performance is defined as the achievement of objectives of a strategic plan (Hsieh & Yik, 2005). It is necessary to first define and understand what strategy means. What is a strategy? Different scholars have provided different definitions of the concept of strategy. According to the Oxford dictionary, a strategy is a plan of action or policy designed to achieve a long-term or overall aim (Pearsall & Trumble, 2010). According to Wikipedia, the concept of strategy originates from the military and was adapted for use in business. Strategy is a term that comes from the Greek word *strategia*, meaning “generalship”. In the military, a strategy often refers to manoeuvring troops into position before the enemy is engaged. Strategy has no existence apart from the ends sought. It is a general framework that provides guidance for actions to be taken, and, at the same time it is shaped by the actions taken (Thomson, Strickland & Gamble, 2005). On the same note, O'Regan & Ghobadian (2004: 78) suggest that strategy articulates the means by which an organisation endeavours to convert its intention into organisational capability.

Strategy represents the organisation's intended chosen mode for interacting with its task environment (Gupta, 1987: 477-500). It is a learning process, much like the scientific process of hypothesis testing (Beatty & Quinn, 2007: 11). This means that the necessary precondition for formulating a strategy is a clear and widespread understanding of the ends to be obtained.

Andrews (1999) defines corporate strategy as the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals. it also produces the principal policies and plans for achieving those goals. Andrews (1999) explains further that corporate strategy defines the range of business that the company is to pursue; the kind of economic and human organisation it is or intends to be; and the nature, of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities. Strategy involves

evaluating different sets of actions, and promoting those which maximise opportunities for organisational survival (Colville & Murphy, 2006).

Strategy articulates the means by which an organisation endeavours to convert its intention into organisational capability (Thompson, Strickland & Gamble, 2005). This enables the organisation to take advantage of its external opportunities and minimise the threats that it faces. More specifically, a strategy entails the formulation of options to meet organisational objectives, and ensures that the organisational resources are available for effective deployment of the chosen strategic direction on a short to medium-term basis (O'Regan & Ghobadian, 2004: 78). Formulating a strategy is not an event followed by implementation. According to Gavetti & Rivkin (2007: 423), a strategy is a management team's way of seeing its place in its environment as well as an organisational way of interacting with the environment. The link between strategy and leadership is best illustrated by the following model proposed by O'Regan & Ghobadian (2004).



**Figure 2.1: The Leadership-Strategy-Performance Relationship**

According to Franklin (2001), the strategy theory and practice are usually based on the positioning school of strategy thinking. Some of these schools are:

- The five forces;
- Competitive advantage;
- Generic strategy; and
- The value chain.

Franklin (2001) asserts that many of the ideas are echoes of former work in micro and industrial economics that best suit a more deterministic world. A world where there is little change and

uncertainty; a world where the gaining and maintaining of a competitive position can be easily analysed and with appropriately managed resources and some managerial flair can be won and maintained. In this study, strategy is defined as a set of actions that guide a company towards achieving its specific business objectives (Thompson, Strickland & Gamble, 2005).

For a strategic plan to be successful, it has to be well implemented. Many researchers have highlighted and emphasised the importance of strategy implementation as a critical component of the strategic management process. Execution is at the core of business success (Joyce, 2005).

In the section that follows, the theoretical base on strategy implementation will be reviewed.

### **2.3. Strategy implementation**

A brilliant strategy is of little value unless it can be implemented effectively. Strategy implementation is an integral part of the strategic management process. Some scholars believe that strategy implementation is more important than the actual strategic choices that are made. Strategy making does not stop with identification of a new strategy (Snabe & Grobler, 2006). Implementing a strategy is just as essential as formulating one. The strategy implementation task is easily the most complicated and time-consuming part of strategic management (Thompson *et al.*, 2005).

Strategy implementation deals with the managerial exercise of supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed, and showing measurable progress in achieving the targeted results. Strategy implementation involves multiple levels of analysis, which hinders the development of closed frameworks and coherent streams of research (Lehner, 2004: 460).

The implementation of a strategy is comprised of a series of sub-activities that are primarily administrative in nature (Andrews, 1999). The view expressed by Andrews (1999) is further supported by Farjourn (2002: 467-480), who suggests that strategy implementation comprises a series of primarily administrative activities, and includes the design of an organisational structure and processes, as well as the absorption of policy into the organisation's social structure.

Yuki & Lepsinger (2007) define strategy implementation as a process of translating strategy into successful business results, and maintaining efficient and reliable operations. Implementation is a hands-on operation and action-orientated human behavioural activity that calls for executive leadership and key managerial skills (Schap, 2006: 9-22). A unique corporate strategy is only rhetoric until it is embodied in the organisation's activities that are guided by the strategy but which, in turn, continually reshape it (Andrews, 1999).



An idea is not complete until it is put into action. Cascella (2007: 66) argues that, to translate strategy into action, quantifiable goals must be established as well as functions that contribute to process performance. Gavetti & Rivkin (2007: 423-426), on the other hand, argue that, strategy formulation is complete not only when the management team has pinpointed its broad goals and intended type of competitive advantage, but when it has nailed down the target scope of its advantage and specific activities throughout the value chain.

In today's business environment that is characterised by rapid changes, savvy managers realise that implementation is just as critical, if not more important, than the development of effective strategies (Pryor, Anderson, Toombs & Humphreys, 2007). This view is supported by others who maintain that, in order for companies to realise their strategic objective, it is essential that strategies are successfully implemented (Morten, Kjell & Siem, 2002). In line with this reasoning, Braganza & Korac-Kakabadse (2000: 45-53) posit that strategic implementation is a primary element in successful organisational performance. Braganza & Korac-Kakabadse (2000) view is that sound strategy fail on implementation because top management fail to follow-through on the outlined strategic objective.

Strategy implementation also includes more traditional aspects of managing internal change such as communication and support building (Farjourn, 2002: 467-480). Implementation efforts can be derailed by a number of different factors, including a lack of commitment on the part of key managers, a lack of committed resources and an ineffective project management structure (Hanley, 2007). Managers can use a range of incentives to drive behaviour to ensure that the objectives of the strategy are accomplished. The executive who refuses to leave the implementation of a strategy to chance has a diverse means of encouraging behaviours available to him that advances a strategy and deters behaviour that does not advance it (Andrews, 1999: 102).

### **2.3.1 A conceptual model of strategic implementation**

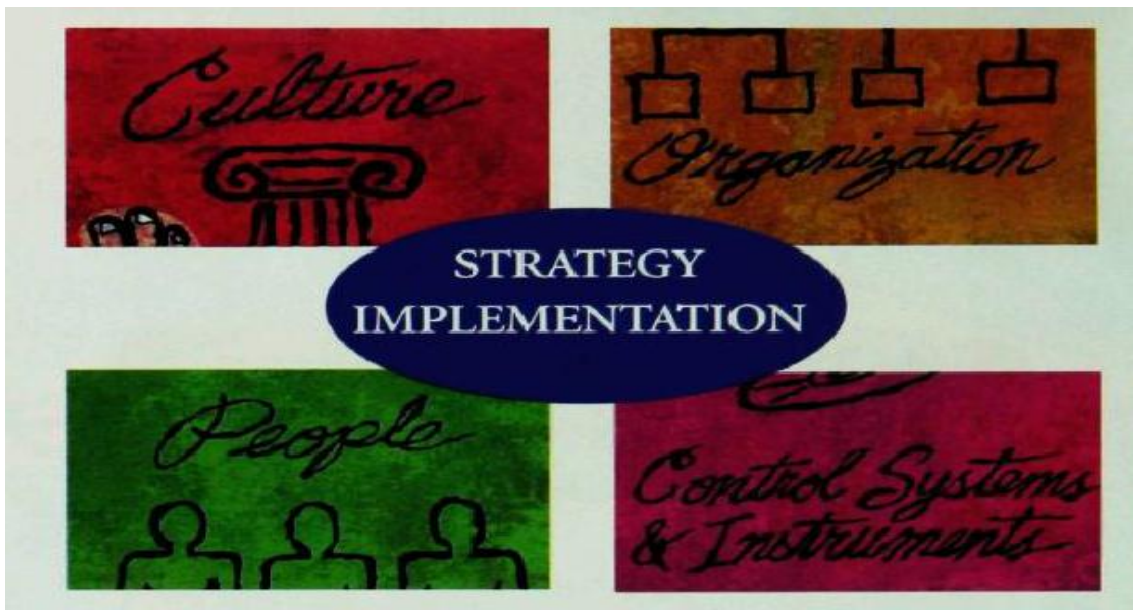
Strategy implementation literature presents various models showing the organisational characteristics suggested as significant factors for effective strategy implementation. A true strategy is the act of aligning operations and improvements with business goals, and there is only one way to do this successfully: by focussing on three keys for translating strategy into action processes, measurement, and accountability (Cascella, 2001: 65). Mutual coordination of strategic decisions also depends on the features of a corporation's strategic planning system (Gupta, 1987).

Traditional strategy implementation concepts over-emphasise structural aspects, thus reducing the whole effort to an organisational exercise. Ideally, an implementation effort is a "no boundaries" set of activities that does not concentrate on implications of only one component, such as the

organisational structure. When implementing a new strategy, it is dangerous to ignore the other components because strategy implementation requires an integrative point of view (Raps, 2004).

Strategy implementation must account for the inexorably intertwined elements of culture, organisation, people and systems. One reason for the dreadful success rate of strategies is the lack of an integrated viewpoint (Beer & Eisenstat, 2000).

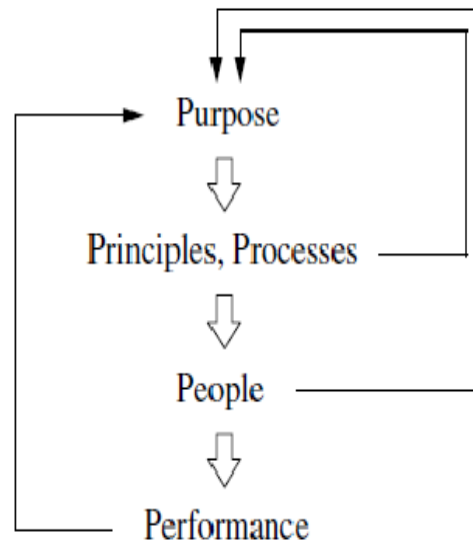
According to Raps (2004), there are four critical success factors in strategy implementation; namely, culture, organisation, people and control process (control systems and instruments).



**Figure 2.2: Strategy implementation key success factors** (Source: Raps, 2004)

Pryor *et al.* (2007: 6) advocate an implementation model that incorporates the various functional areas involved from a strategic and tactical perspective. When correctly applied, Pryor *et al.* (2007) state that such a framework would require decisions and actions that are strategic in nature but also behavioural and tactical, requiring specific elements to be in place and aligned throughout the organisation in order to create efficiency and effectiveness.

Although creative chaos can help formulate a strategy, a more administrative implementation demands discipline, planning, motivation, and controlling processes. The implementation process normally demands much more energy and time than mere formulation of strategy (Raps, 2004: 53). Consistent with this perspective, Pryor *et al.* (2007) offer the 5P's model as a process for strategic, quality management. The model is described below:



**Figure 2.3: The 5P's Paradigm** (Source: Pryor, Anderson Tooms & Humphreys, 2007)

The arrows in Figure 2.3 above depict the connection between strategy (purpose) and structure (principles as internal structures and processes as external structures) and the influence of structure on employee behaviour (people) and corresponding results (performance). Processes are the vehicles that turn strategy into action and how they perform these processes is often what differentiates it in the marketplace and ultimately determines its success (Cascella, 2007). As reflected in the figure; strategy drives structure, structure drives behaviour, and behaviour drives results. The arrow from performance to purpose represents the feedback mechanism for guiding an organisation towards its objectives. This consistent and continual feedback connection is essential to the successful implementation and management of organisational strategies (Humphreys, 2005).

The primary motivation of this framework was to guide organisations towards performance excellence, world class status, and long-term survival. Business strategies often fail to do so, not because of anything wrong with the ideas, but rather because the organisation is not consistently focused on achieving them (Cascella, 2007: 66). By linking individual performance to process improvements and outcomes, and by measuring outcomes against established goals, any business can meet the challenges of successfully translating a strategy into action (Cascella, 2007: 71).

### 2.3.2 Leadership as part of strategy implementation

The quality of leadership and strategy are widely viewed as instrumental in maintaining and improving competitive performance (O'Regan & Ghobadian, 2004). Furthermore, O'Regan &

Ghobadian (2004) argue that the gap between actual strategy and intended strategy is, among other factors, a function of the quality of the organisation's leadership. One of the central challenges of modern organisations is strategic leadership at all levels of the firm (Bailey, 2003). The task of leadership is to ensure the effective deployment of corporate strategy (O'Regan & Ghobadian, 2004: 79) and empirical research has shown that leadership and strategy are positively related (O'Regan & Ghobadian, 2004).

More recent studies concluded that leadership is a requirement of strategic success (O'Regan & Ghobadian, 2004). As the number of strategic dimensions and corresponding initiatives increases, so does the pressure on leadership (Hsieh & Yik, 2005). The role of leadership is paramount and sometimes decisive in the accomplishment of a strategy (Andrews, 1999: 20).

Leadership has been explored as a question of looking into how people are manipulated into co-operating, achieving high levels of efforts and how culture can be created (Raps, 2004). With such a statement, leadership and strategy become synonymous as both concepts are concerned with creating organisational cultures and structures that promote and achieve results (Colville & Murphy, 2006). It is clear that the driving force connecting strategy and an organisation can only be leadership at all levels. This view is supported by O'Regan & Ghobadian (2004), who suggest that the formulation and deployment of strategic actions by effective leaders result in strategic competitiveness and above-average returns. Again, O'Regan & Ghobadian (2004: 79) argue that the principal task of leadership is to ensure the effective deployment of the corporate strategy. Building on the above view, Cascella (2007: 69) believes that to achieve its strategy, a business must create an organisational culture that fosters alignment between the strategy and the work that is performed within each department and function. According to Hsieh & Yik (2005), strategy will not succeed in a void, and leadership often makes the difference between merely reaching for great opportunities and actually realising their potential. Furthermore, Hsieh & Yik (2005) argue that the best strategy can fail if a company does not have a cadre of leaders with the right capabilities at the right levels of the organisation. For leaders, closing the gap between strategy and implementation requires focusing on priorities, creating a common understanding through real dialogue, and engendering a learning orientation in the organisation. When these things happen, strategy is a shared understanding that exists in the fabric of the organisation (Beatty & Quinn, 2007: 11).

Strategy implementation, therefore, is a hands-on operation and human-orientated behavioural activity that calls for executive leadership and key managerial skills (Schap, 2006: 15). Schap (2006) argues that successful strategy implementation is determined by logical decisions and actions of all employees at all levels of the organisation, and not just by the people who are responsible for formulating the strategy. The view is supported by Raps (2004) who says senior

executives must not assume that lower-level managers have the same perceptions of a strategic plan and its implementation, its underlying rationale and its urgency.

Communication is a fundamental aspect of leadership (Hanley, 2007: 102). The problem of communication or lack of it occurs more frequently than most managers can admit. Communications issues pose the greatest threat to successful strategy implementation (Hanley, 2007). Communication and shared understandings play a crucial role in the strategy implementation process. Strategic initiatives often fail to achieve results because of problems in execution: communication breakdowns, corporate culture and failure to track and measure results (Hanley, 2007). Lehner (2004) argues that communication and shared understandings play a principal role in the strategy implementation process.

Companies have long known that, to be competitive, they must develop a good strategy and then appropriately realign structure, systems, leadership behaviour, human resources policies, values and management processes (Beer & Eisenstat, 2000: 29). This, however, is easier said than done. Top management's principal challenge in the cultural context is to set the culture's tone pace and character in order to see that it is conducive to the strategic changes that the executives are charged with implementing.

Raps (2004: 50) argues that, when implementing a strategy, the most crucial facet is top management's commitment to the strategic direction itself. In fact, this commitment is a prerequisite for strategy implementation. Thus, top managers have to show their dedication to the effort. Between the ideal of strategic alignment and the reality of implementation lie many difficulties.

Leadership plays a crucial role in strategy implementation (Raps, 2004). Leaders serve as valuable role models when they make decisions based on data and processes and when they continually reinforce the strategic importance of process improvement (Cascella, 2007: 77). It is the responsibility of leadership in any organisation to communicate the strategy and obtain buy-ins and support from the rank and file members of the organisation to ensure that the strategy is translated into actions. Snabe & Grobler (2006) mention that it is critical that a large number of employees understand why the organisation must change, and also understand the reasoning behind the new strategy. The role of leadership in strategy is supported by Beer & Eisenstat (2000), who argue that leaders must engage people throughout the organisation in an honest conversation in order to identify barriers and underlying causes to strategy implementation.

There are those who argue that, for an effective implementation of results, not only organisational decision makers at the topmost hierarchy need to subscribe to new policies and strategies, but also the involvement, motivation and knowledge of organisational members from other levels are necessary and crucial for success in an organisation (Snabe & Grobler, 2006).

Implementation efforts can be derailed by a lack of commitment on the part of key managers (Hanley, 2007) and once strategic initiatives are launched, executives must make a concerted effort to ensure that change takes place and that they stick to it, otherwise, employees can revert to past patterns. When this happens, financial and business performance targets are often at risk (Hanley, 2007).

Schap (2006) highlights the following nine steps, which provide a comprehensive framework for understanding the role of leadership in strategy implementation:

- Staffing the organisation with the needed skills and expertise; consciously building and strengthening strategy supportive competencies and competitive capabilities as well as organising the work effort.
- Creating a company culture and work climate conducive to successful strategy implementation and execution.
- Developing budgets that steer ample resources into those activities that are critical to strategic success.
- Ensuring that all policies and operating procedures facilitate rather than impede effective execution.
- Using best-known practices in performing core business activities and pushing for continuous improvement. The organisation's units to reassess periodically how things are being done and diligently pursue useful changes and improvements.
- Installing information and operating systems that enable company personnel to carry out their strategic roles daily, in a much better way.
- Motivating people to pursue the target objectives energetically and if need be, modifying their duties and job behaviour to better fit the requirement of successful strategy execution.
- Tying rewards and incentives directly to the achievement of performance objectives and good strategy execution.
- Exerting the internal leadership needed to drive implementation forward and keep improving on how strategy is being executed.

## **2.4. Leadership**

Leadership is a multi-dimensional concept. It is one of the most widely studied constructs in the management field and has many definitions (Schneider, 2002: 209-220). It is also suggested that leadership remains one of the great conundrums of social sciences (Leavy, 1997).

In the opinion of Leavy (1997), leadership is not defined merely as a reaction to situational events, but rather as a process that is shaped in multiple ways by contextual forces and dynamics. This study considered the concept of leadership by using a conceptual approach, which is built around



two leadership styles and their relations to achieving the objectives of a strategic plan of an organisation. Some researchers suggest that leaders in an organisation can either be formal or informal (Raps, 2004). In this study, the focus was on leadership styles of formal leadership positions.

Current theory on leadership considers leadership as a process in which leaders are not seen as individuals in charge of followers, but as members of community of practice (Takala, 2005: 45). Consistent with this view, Lehner (2004) proposes a theory of leadership as a process. In his view, leadership is not defined as a set of characteristics of a leader, but instead, as the process of co-ordinating efforts and moving together as a group. This is further reinforced by O'Regan & Ghobadian (2004), who define leadership as the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of the group's mission.

A great deal has been written about the distinction between leadership and management or rather the role of leaders and management in an organisation. Some scholars define leading and managing as distinct roles, but there is considerable disagreement about the appropriate definitions and the relative importance of the two roles. In this current study, the researcher recognises that both functions support and complement one another. Both roles are needed, but it is clear that some managers will, in addition, be able to offer leadership, whilst some cannot (Spurgeon & Cragg, 2007). Furthermore, Spurgeon & Cragg (2007) assert that many outstanding leaders are also managers, but that is not necessarily the case for all leaders. Consistent with this reasoning, Humphreys (2005) says strong leadership with no management skills can be a problem, and the organisation itself may be threatened as a result.

Leaders in an organisation fulfil a number of different roles. These functions are those of setting goals, planning how to achieve them, controlling operations so that the organisation stays on course, coordinating interdependent activities, developing and managing the structure of an organisation to get tasks accomplished, and leading and motivating staff. Some of these roles may be generic to all managers and others may be more specialised by industry (Khandwalla, 2004: 10).

It is not necessary that the leadership functions be accomplished by a single person. The leader is responsible for ensuring that these functions are accomplished (Burke, Stagl, Klein, Godwin, Salas & Halpin, 2006: 288-307). The performance of the manager depends on how well his/her roles are played. In turn, how well these roles are played by the manager of an organisation influences the performance of the organisation (Khandwalla, 2004). In this study, the terms leader and manager are used interchangeably to describe a manager within an organisation.

Academic literature highlights different leadership styles, ranging from participative to authoritative leadership styles (Humphreys, 2005). Takala (2005) states that transactional leaders are seen as

people who guide and motivate their followers in the direction of established goals by clarifying their role and task requirements. There is also another type of leader who inspires followers to transcend their own self-interest for the good of the organisation and is capable of having a profound and extraordinary effect on his or her followers (Khandwalla, 2004). Other studies which examine the links between leadership and performance coincide with the re-emergence of the 'one best way to lead' debate (Lehner, 2004).

In conclusion, the researcher has concluded in this study that leadership is defined as those management's leadership behaviours and activities that will transform a strategic plan into action and ensure that its objectives are achieved. Most researchers on leadership in the strategy field acknowledge that there are many challenges that are encountered, most of which have to do with differences in the definition of the concept. Strategy is just as complex a concept as leadership. Both concepts defy easy definitions. Many challenges remain in the way of those who wish to study the phenomenon within the strategy field (Leavy, 1997). The different constructs that have been identified from the literature on leadership are discussed in the section that follows (Arvoven & Petterson, 1999: 100).

## **2.5. Leadership constructs**

The following leadership constructs were identified from the literature review:

- Style;
- Power;
- Authority; and
- Culture.

### **2.5.1 Leadership style construct**

According to Arvoven & Petterson (1999: 101-112), different leadership behaviours have different effects on organisational outcomes. On this note, Avolio, Zhu, Koh & Bhatia (2004: 951-968) suggest that leadership style is positively associated with organisational commitment in a variety of organisational settings and culture. This view is consistent with the theory of transformational leadership.

A number of researchers theorise that transformational leadership is linked to organisational performance. Transformational leaders influence followers' organisational commitment by encouraging followers to think critically by using novel approaches, involving followers in decision-making processes and inspiring loyalty while recognising and appreciating the different needs of each follower to develop his or her personal potential (Avolio *et al.*, 2004: 953). The authors argue



that transformational leaders are able to influence followers' organisational commitment. They do this by promoting higher levels of intrinsic value associated with goal accomplishment, emphasising the linkages between follower effort and goal achievement, and by creating a higher level of personal commitment on the part of the leader and followers to a common vision, mission and organisational goals (Avolio *et al.*, 2004).

Consistent with the above view, Pryor *et al.* (2007) argue that properly aligned human assets are the key to successful implementation, and employees who play a part in deciding what to do, feel a far greater amount of ownership over making it happen.

By encouraging followers to seek new ways of approaching problems and challenges, and identifying with followers' needs, transformational leaders are able to motivate their followers to get more involved in their work, resulting in higher levels of organisational commitment. Transformational leaders empower their subordinates. Generally, employees who feel empowered perform better, which helps the organisation to translate its strategy into action (Schneider, 2002).

Evidence from a large number of studies indicated that transformational leadership can enhance subordinate motivation and performance (Yuki, 2008: 708-722). Employee commitment is important for the team cohesiveness, which is defined as the degree to which members are attracted to a group and motivated to remain part of it. It has been argued by Westly & Mintzberg (1989: 17-32) that the style of the leader may vary, as may the content of the leader's vision and the context in which it takes root. This is consistent with the position and arguments of Yuki (2008), who suggests that leaders must be prepared to modify their leadership behaviour, the competitive strategy, and the formal programmes and structures to meet the challenges that confront them in an increasingly turbulent and uncertain environment.

Avolio *et al.* (2004: 954) suggest that empowered employees will see themselves as more capable and will be able to influence their job and organisation in a more meaningful way. All these arguments are relevant to the present study, because they speak to the role of leadership in an organisation and the effects it has on the success of the strategic plan.

A leadership style in an organisation can also be influenced by the nature and quality of the employees in the workplace. Leaders employ different styles according to the nature and quality of their subordinates. A leadership style used by a manager of high-skilled professionals would be different to that employed by a manager who looks after low-skilled professionals. The nature of the firm's human capital and the manner in which it is managed can affect employee and firm performance. It has been argued by Liu, Lepak, Takeuchi & Sims (2003: 127-152) that empowering leadership styles are more effective for managing knowledge-based employee groups than directive, transactional or transformational leadership styles.

Leadership behaviours can influence the financial performance of an organisation (Yuki, 2008). This is consistent with the position and findings of a study conducted by Goleman (2000), which revealed a direct relationship between leadership style and financial results. Widely celebrated cases of direct leadership-performance link may be found in numerous anecdotal accounts of improvements of company performance attributed to changes in leadership. Another similar study was conducted by Elenkov (2002: 467-480) in order to investigate the main effects of transformational and transactional leadership behaviours on the organisational performance of Russian companies. The findings from that study revealed that transformational leadership directly and positively predicted organisational performance of Russian companies over and beyond the impact of transactional leadership.

In a study conducted by Arvonen & Petterson (1999), regarding the relationship between leadership behaviour as a predictor of cost and change effectiveness, it was found that there is a statistically significant relationship between leadership behaviour and both outcomes (i.e. cost and change). The authors measured leadership using a cost, production and employee orientation (CPE) model, which embraces three types of leadership centring on change production and employees respectively (Arvonen *et al.*, 1999).

Another study by Wendt, Euwema & Van Emmerik (2009: 358-370) examined the relationship between leadership and team cohesiveness in different societal cultures. In the study, the writers found that directive leadership and supportive leadership are negatively and positively related with team cohesiveness respectively. Koene, Vogelaar & Soetersb (2002: 193-215) also conducted a study to examine the effect of different leadership styles on two financial measures of organisational performance and three measures of organisational climate in 150 supermarket stores of a large supermarket chain in the Netherlands. Their study revealed that there is a strong relationship between leadership and financial performance. Moreover, the findings of the study showed that leadership styles have differential effects on organisational performance. Some researchers argue that the impact that leadership style has on performance is influenced by the size of the organisation. Following this line of reasoning, it may be argued that the effect of a manager's leadership behaviour on financial performance will be stronger in smaller-sized stores than in larger organisations.

The leadership literature has a rich tradition of conceptualising leadership typologies. In a typical typology, leader behaviours are theoretically clustered into prominent types of styles of leadership (Koene *et al.*, 2002). These are some of the major types of leadership styles:

- Participative leadership style;
- Authoritative leadership style;
- Supportive leadership style; and

- Laissez-faire leadership style.

#### **a) Participative leadership style**

Participative leadership, which is also referred to as democratic leadership, is a style of leadership that involves all members of a team in identifying essential goals and developing procedures or strategies to reach goals (Koene *et al.*, 2002). From this perspective, participative leadership can be seen as a leadership style that relies heavily on the leader functioning as a facilitator rather than simply issuing orders or making assignments. These views are consistent with the positions and arguments of Beatty & Quinn (2007), who argue that leaders must ensure that people have clearly shared priorities. They must work to develop a climate that generates a common understanding. By giving workers a voice in the making of decisions, participative leaders build organisational flexibility and help to generate fresh ideas (Goleman, 2000).

#### **b) Authoritative leadership style**

The authoritative leader is seen as an expert in the company, and can clearly identify the goals that will lead the organisation to success (Koene *et al.*, 2002). Authoritative leadership style is also referred to as 'directive' leadership style or coercive leadership style by some scholars (Goleman, 2000). Liu *et al.* (2003) suggest that authoritative leaders try to establish followers as compliant subordinates by relying on such behaviours as command and direction, assigned goals and punishments. Followers have little discretion over the job, and are rarely allowed to participate in decision-making. Authoritative leadership inhibits the organisation's flexibility and dampens employees' motivation (Goleman, 2000).

#### **c) Supportive leadership style**

Supportive leadership style, which is also referred to as the coaching style by certain scholars, focuses more on personal development than on immediate work-related tasks (Koene *et al.*, 2002). It works well when employees are already aware of their weaknesses and want to improve, but not when they are resistant to changing their ways (Goleman, 2000). It has been argued by Wendt *et al.* (2009) that supportive leadership styles are appreciated more in collectivist cultures, as compared with individualistic cultures (Goleman, 2000). Furthermore, Goleman (2000) posits that directive leadership and supportive leadership are negatively and positively related with team cohesiveness respectively.

#### **d) Laissez-faire leadership style**

The laissez-faire leadership style is also known as the 'hands off' style. It is one in which a manager provides little or no direction, and gives employees as much freedom as possible. All the authority or power is given to employees, and they must determine goals, make decisions and resolve problems on their own. In a study conducted by O'Regan & Ghobadian (2004), it was found that laissez-faire leadership style is positively correlated with both long and short-term organisational performance.

#### **2.5.2. Power construct**

Leadership has been viewed as an interpersonal managerial role having to do with motivating subordinates (Schneider, 2002: 209-220). Schneider (2002) argues that leadership came to be associated with the empowered party in vertical authority-based relationships. The art of influencing is critical for leaders. Organisations are comprised of groups that compete with one another for material and symbolic resources and exercise power and influence in diverse and divergent ways (Goleman, 2000).

The rational approach presumes that senior managers have vision and a way of realising it but, in large part, strategy is as much a means of rationalising managerial power and privilege as of guiding its actions (Knights & Morgan, 1992: 171-192).

To influence people in an organisation successfully, leaders must construct their messages to appeal to the heads and hearts of those they are trying to influence as well as to those individuals' desires for personal and professional growth and for the success of the organisation as a whole (Grayson, 2002).

#### **2.5.3. Authority construct**

Schneider (2002) defines managerial authority as obedience to rational rules. Authority is also defined as the power to make decisions that guide the actions of others. Managerial positions are authority laden as evidenced by subordinates' acknowledgment of the legitimacy of the power and willingness to yield to it (Schneider, 2002). While managers may indeed have other sources of power, it is authority or legitimate power that differentiates managers from non-managers.

#### **2.5.4. Culture construct**

The literature reveals that leadership style can be influenced by the context, which suggests that leadership style is not necessarily constant. Contexts shape the performance imperatives that define the parameters of leadership action (Zaccaro & Horn, 2003: 769-806).

Furthermore, literature reveals that leadership style can be influenced by an organisation's culture and vice versa (Schneider, 2002). Some researchers suggest that the relationship between leadership style and performance is mediated by the form of organisational culture that is present (Goleman, 2000). The culture of an organisation includes shared values and beliefs about its primary mission and purpose, the essential qualities of its products and services, and how members should be treated (Schneider, 2002). Leaders can influence the culture with behaviour such as articulating a compelling vision, leading by example, and the use of symbols, rituals, ceremonies and stories (Yuki, 2008). Good leaders need to develop the skills that enable them to alter aspects of their culture in order to improve their organisational performance. The leader creates and is in turn shaped by the organisational culture (Ogbonna & Harris, 2000: 766-788).

According to Schneider (2002), effective leaders must possess significant cognitive, emotional, and behavioural abilities to cope with their complex environments. He defines 'cognitive complexity' as the ability to think in a multi-dimensional, abstract manner and to synthesise information at various levels of abstraction. Cognitive complexity is thought to be necessary but insufficient for leader effectiveness in complex situations.

Social complexity, the ability to apply interpersonal skills in a socially appropriate manner reflects the leader's social perceptiveness and response flexibility (Schneider, 2002). Leaders do not only need a large behavioural repertoire but also the ability to select the right roles for the situation. To do so, leaders need both cognitive and behavioural complexity and flexibility (Boal & Hooijberg, 2001).

This study is focussed on the leadership style construct and its influence on organisational performance, which as indicated earlier, is defined as the achievement of objectives of a strategic plan.

## **2.6. Conclusion from the literature review**

To conclude, leadership style has different effects within the organisation. It impacts on culture, team performance and financial performance. The literatures have revealed substantial empirical evidence that shows that there is a direct link between leadership style and financial performance. Although it is generally accepted that leadership style and performance are related, some studies have shown that other leadership styles impact more on performance than others. This study hopes to establish relationships between participative and authoritative leadership styles and performance, which for the purpose of this study, is defined as the achievement of objectives of a strategic plan.

## CHAPTER 3: RESEARCH HYPOTHESES

### 3.1. INTRODUCTION

Based on the academic literature reviewed, the researcher has identified relevant constructs which have been used to develop the research question and hypothesis. This study will involve hypotheses testing in order to examine the strength of relationship between the variables being investigated.

### 3.2. Research question

The study was based on the following fundamental question:

*Is a specific leadership style a significant factor in achieving objectives of a strategic plan of an organisation?*

### 3.3. Research hypothesis

The study examines the relationship between leadership attributes and strategy implementation. The study's hypotheses are stated below:

#### 3.3.1 Hypothesis 1

Hypothesis 1 is stated as follows:

- a) **Null hypothesis ( $H_{o1}$ ):** Participative leadership style does not lead to achievement of the objectives of strategic plan.
- b) **Research hypothesis ( $H_{a1}$ ):** Participative leadership style leads to achievement of the objectives of a strategic plan.

#### 3.3.2 Hypothesis 2

Hypothesis 2 is stated as follows:

- c) **Null hypothesis ( $H_{o2}$ ):** Authoritative leadership style does not lead to achievement of the objectives of a strategic plan.
- d) **Research hypothesis ( $H_{a2}$ ):** Authoritative leadership style leads to achievement of the objectives of a strategic plan.

### **3.4. Conclusion**

This chapter dealt with the aims of the research study, the question the study seeks to answer and the hypothesis to be tested. In the next chapter, the research methodology will be discussed.

## **CHAPTER 4: RESEARCH METHODOLOGY**

### **4.1. INTRODUCTION**

This chapter discusses the research method employed to address the research question of this study. The aim and objectives of the study are specified, and the main features of the research design and research variables are defined and described. The research is explanatory and aims to explain the relationships between the variables namely participative leadership style, authoritative leadership style and successful achievement of strategic plan. According to Zikmund (2003) "when explanatory research is conducted, it is to study a situation or a problem in order to explain the relationships between the variables.

#### **4.1.1 Research methodology**

According to Amaratunga, Baldry, Sarshar & Newton (2002: 17-31), research can be defined as the process of enquiring and investigation through a systematic and methodical approach which increases and improves knowledge.

#### **4.1.2 Qualitative research versus quantitative research**

According to Shields & Twycross (2003), the difference between qualitative and quantitative research can be summarised as follows:

Qualitative methods are used when the meaning of something needs to be found. Qualitative research usually has no measurements or statistics but uses words, descriptions and quotes to explore meaning. Quantitative research usually contains numbers, proportions and statistics, and is invaluable for measuring people's attitudes, their emotional and behavioural states and their ways of thinking (Shields & Twycross, 2003).

According to Sechrest & Sidani (1995: 77-87), a further distinction between quantitative and qualitative methods is often conflated with a distinction between modes of inquiry that involve obvious interventions to produce responses of interest - experimental, quasi- experimental methods - and those that are non-interventionist - that is, observational, in nature.

#### **4.1.3 Preferred research method for this study**

The researcher decided to use quantitative research methodology since the research is not sensitive in nature (no personal and business sensitivity). Secondary research has been conducted using different sources such as books and journal articles. Self-administered questionnaires and



telephone interview were used to gather primary data from the sample group. The original questionnaires contained reference to gender, age and educational background.

#### **4.2. Research design and method**

Research design gives a blueprint for the procedures to be followed in selecting the population, sampling and sampling techniques to be used and specifying the methods of analysis of information collated during the research. The objectives as set out at the beginning of the study are included here to ensure that the information collected is appropriate in solving the research problem statement (Zikmund, 2003).

The study used a questionnaire interview and phone call method for data collection. The questionnaire, interview questions and telephone calls posed quantitative questions that attempted to prove the strength of relationship between the variables being investigated.

The study involved hypothesis testing in order to examine the strength of the relationship(s) between the variables being investigated. As Zikmund (2003) argued, the purpose of quantitative research is to determine the quantity or extent of some phenomenon in the form of numbers.

#### **4.3. Population of relevance**

Zikmund (2003) defines a population as a complete group of entities sharing some common set of characteristics. A distinction is made between the population and the universe, with the latter, in this study, being an infinite group of all non-listed companies in South Africa. The population, for the purposes of this research, is business owners, directors and managers in non-listed companies in South Africa.

The reason for choosing this population is that they are the leaders in non-listed companies that is the target for this study.

The population of relevance consisted of business owners and senior managers in various non-listed South African companies. Prior to the interview described below, the researcher assembled a database of business owners, managing directors and senior managers using the database of the researcher's company customers, supplier, corporate websites, personal networks and social networking sites such as LinkedIn and Facebook. The researcher conducted a pre-interview phone call and sent text messages to the selected interviewees. On the basis of this, the researcher determined the number of people to use for the research project.

Convenient sampling was used to determine the number of population. Zikmund (2003) refers to convenient sampling as "haphazard or accidental" in that the sampling is done on units or people who are most conveniently available.

#### **4.4. Unit of analysis**

The unit of analysis for the study was a company.

#### **4.5. Variables**

The hypotheses presented in this study are based on three variables; namely participative leadership style, authoritative leadership style and successful achievement of strategic plan. Both participative leadership and authoritative leadership styles are recognised as independent variables. If leadership style makes a difference, the question still remains; on which variable it makes a difference. Thus, it is essential to ask what the relevant dependent variables were.

The study focused on the relationship leadership style has on performance, which has been defined as the achievement of objectives of strategic plan. Performance was treated as a dependent variable. Participative and authoritative leadership styles were measured by two separate questions on the questionnaire, relating to the dimensions and characteristics of both leadership styles. Performance was measured by two separate questions relating to the performance of the organisation and achievement of the objectives of the strategic plan.

#### **4.6. Sampling method and size**

The target population was sampled on a non-probability basis because it was convenient to do so. The sample consisted of 65 business owners, managing directors and senior managers of companies across various industries in South Africa. The literature suggests that if the population is homogeneous and there are little variances among members of the population, then a small sample size will be appropriate. In summary, the following factors influenced the chosen sample technique and size.

- a) The variance in the population;
- b) The magnitude of error or confidence interval; and
- c) The expected degree of confidence.

According to Struwig & Stead (2001), the decision on sample size is complex and the desire to minimise sampling error will encourage researchers to choose a large sample.

Zikmund (2003), proposes the use of statistical theory to determine the sample size but also suggests that if there is need to analyse several sub-groups, a minimum units of one hundred in each category must be obtained. Albright *et al.* (2006), also point out that the sample size will be limited by budget, availability or accessibility of the respondents, and time available to conduct research.

A structured questionnaire was used as the main instrument or tool for this research and it is attached as Appendix 1. It is divided into three sections; section 1 through 111 and contains a covering letter.

#### **4.7. Data collection process**

The data for the research study was collected through a self-administered interview and telephone questionnaire. The researcher first discussed with the respondents the purpose of the exercise and a date was agreed with the respondents for either meeting them to complete the questionnaire or to call them to complete the questionnaire over the phone. Participants were asked questions based on the constructs around leadership and strategy implementation.

The interview questionnaire and telephone survey method were selected to collect primary data for the following reasons:

- Speed of gathering data;
- Faster turnaround time;
- Flexibility; and
- Provide clarity on areas that respondents do not comprehend.

Questionnaire interview and telephone interviews provide quick, albeit somewhat expensive, but accurate means of information about the population (Zikmund, 2003). Other advantages of questionnaire interview include convenient, low administration cost and flexibility to obtain sample (Zikmund, 2003). The convenience of both interview and telephone administered questionnaire are both help to the researcher and participants, as the interview and questionnaire can be completed during participant's leisure time. Self-administered interview and telephone questionnaire are costly and limited in terms of access to a wider selection of the population, however, it saves time and allow the researcher the get immediate feedback.

#### 4.8. Statistical analysis

Descriptive statistics was used to provide information in summary form (Albright *et al.*, 2006). The data was coded to ensure accuracy in entering it into Microsoft Excel spreadsheet.

The data is presented in tables and graphs and both parametric statistics (means, standard deviations and t-tests), as well as non-parametric inferential statistics (frequencies and chi-square tests) (Struwig & Stead, 2001) were used to compare the different non-listed companies. Inferential statistics use samples of observations to infer observations probably found in a population and include parametric and non-parametric analysis. Parametric analysis measures relationships between variables, differences between randomly assigned groups, comparison between independent groups and predict group membership, among other functions (Albright *et al.*, 2006).

The *t*-test for independent means is used when we want to know whether there is a difference between populations or characteristics of the groups. Information gathered from separate groups is required. The means are considered "independent" when there is no overlap between groups (Struwig & Stead, 2001). In order to guard against inflating the type 1 error rate when performing pairwise comparisons. This test was used to assess the statistical significance of the mean differences of the variables (Albright *et al.*, 2006).

The statistical analyses of the data were done using the statistical package for the social sciences (SPSS). Cronbach alpha coefficients were used to determine the internal consistency reliabilities of the measuring instruments (Struwig & Stead, 2001). Pearson's product-moment correlation coefficients were obtained to determine the direction and strength of the relationships between participative leadership style and performance, and authoritative leadership style and performance. The correlation coefficients were examined in accordance with Tabachnick & Fidell's (2001) recommendation that coefficient  $r > 0.3$  be regarded as meaningful. The levels of significance of the correlations were considered at the  $p > 0.05$  and  $p < 0.001$  levels.

#### 4.9. Research limitation and ethics

All research methodology is accompanied with a limitation and difficulty. Following the gathering of the research sample, there was difficulty in getting people who will commit to completing the questionnaire and, also the telephone numbers of the proposed respondents. Also agreeing to a place to meet for those that were completing the self-administered questionnaire was a problem.

However, in this research process ethical codes and conducts were practically observed in dealing with all information and the outcomes of each telephone interview were treated with utmost confidentiality. So also due to the fact that the research question was design to be personal questions

#### **4.10. Ethical considerations**

In a study involving human participants, a number of ethical considerations need to be addressed. The crucial issue of participants' informed consent was attended to first. The safety of the participants was not compromised in any way, and the nature of the study was explained to the participants in a consent form attached to the research questionnaires. It was left to the discretion of the participants to decide whether they wished to participate in the research, thus, making this research voluntary. If they so wished, participants were given the choice to withdraw from this research at any point in time.

The second ethical consideration was that since the information requested by the researcher was of a personal nature, participants were assured of confidentiality and anonymity. This was achieved by communicating to the participants that they did not have to put their names on the research interview questionnaire. They were also informed that the data would not be shared with any person or organisation. It was made clear to the participants that all data collected was for research purposes only.

#### **4.11. Conclusion**

This chapter dealt with the methodology used to conduct the research, statistical analyses used, and ethical issues involved. In the next chapter, the results of the study will be presented.

## **CHAPTER 5: RESULTS**

### **5.1. Introduction**

In this section, findings on various tests conducted to prove or disprove the research hypotheses are presented. This study involved hypotheses testing to determine the strength of the relationships between the variables being investigated.

### **5.2. Data collected**

A total of 65 respondents were chosen. Participants were obtained by means of non-random convenience sampling. Participants were asked a total of 24 questions, covering leadership attributes, strategy implementation and background information. After initial discussions with the respondents, the number of respondents was reduced to 48. This represents a total of 74 per cent of the planned respondents. The majority of the respondents were male (76%). In terms of participation by sector, the majority of the responses were from the services sectors (44%).

A summary of the results from the 48 questionnaires is contained in Appendix 2 of this research report.

### **5.3. Participative leadership style**

Participative leadership style was measured by the following two questions on the questionnaire:

- Which of the following characterise your style of leadership?
- How would your subordinate(s) characterise the strengths in your leadership style?

### **5.4. Authoritative leadership style**

Authoritative leadership style was measured by answers to the following two questions:

- How would your subordinate(s) characterise the weaknesses in your leadership style?
- Which of the following top-management dynamics are characteristics in implementing the strategic plan in your organisation?

### **5.5. Performance**

Performance was measured by answers to the following two questions:

- In terms of the company trying to accomplish its financial and/or strategic performance targets, was the achievement of those objectives successful?

- From your point of view, was the achievement of a strategic plan successful according to the financial and/or strategic performance targets set for the company?

## 5.6. Scale reliability

Reynaldo & Santos (1999: 1-5) suggest that Cronbach's alpha value can be used to describe the reliability of factors extracted from multi-formatted scales, and range from zero to one. Furthermore, the authors, Reynaldo & Santos (1999), state that the higher the score, the more reliable the scale. SPSS tests were performed to calculate Cronbach alphas in order to estimate the reliability of the leadership style and performance.

**Table 5.1: Cronbach coefficient alpha for participative leadership style**

<u>Cronbach's alpha</u>	<u>No of items</u>
.803	2

The correlation coefficient is close to one, which indicates that the scale used for participative leadership style was reliable.

**Table 5.2: Cronbach coefficient alpha for authoritative leadership style**

<u>Cronbach's alpha</u>	<u>No of items</u>
.721	2

The correlation coefficient is close to one, which indicates that the scale used for authoritative leadership style was reliable.

**Table 5.3: Cronbach coefficient alpha for performance**

<u>Cronbach's alpha</u>	<u>No of items</u>
.862	2

The correlation coefficient is close to one, which indicates that the scale used for performance leadership style was reliable.

## 5.7. Hypothesis tests

The first null hypothesis ( $H_{01}$ ) stated that participative leadership style does not lead to achievement of the objectives of strategic plan. The alternative hypothesis ( $H_{a1}$ ) stated that participative leadership style leads to achievement of the objectives of a strategic plan. The second null hypothesis ( $H_{02}$ ) stated that authoritative leadership style does not lead to achievement of the objectives of a strategic plan while the alternative hypothesis ( $H_{a2}$ ) stated that authoritative leadership style leads to achievement of the objectives of a strategic plan.

**Table 5.4: Correlation Matrix**

		ParticipLS	AuthoritLS
ParticipLS	Pearson Correlation	1	0.01
	Sig. (2-tailed)		0.951
	N	38	38
AuthoritLS	Pearson Correlation	0.010	1
	Sig. (2-tailed)	0.951	
	N	38	38
Performance	Pearson Correlation	-0.066	0.039
	Sig. (2-tailed)	0.693	0.815
	N	38	38

**5.7.1. Hypothesis 1: Relationship between participative leadership style and performance**

Inspection of Table 5.4 reveals that participative leadership style ( $r=0.066$ ,  $p>0.05$ ) has no statistically significant relationship with performance. Based on these results, the null hypothesis ( $H_{01}$ ), which states that participative leadership style does not lead to achievement of the objectives of a strategic plan should not be rejected.

**5.7.2. Predictive relationship participative leadership style and performance**

A linear regression analysis was performed between participative leadership style and performance, as the dependent variable. Participative leadership style was the independent variable. The results from the regression test are reported in Table 5.5.

**Table 5.5: Predictive effect of participative leadership style on performance**

Model Summary								
Model	R	R Square	Adjusted R Square	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
1	.066 <sup>a</sup>	.004	-.023	.004	.158	1	36	.693

a. Predictors: (Constant), ParticipLS

Table 5.5 shows that there is no significant relationship between participant leadership style and performance. This implies that participative leadership style does not predict performance.



### 5.7.3. Hypothesis 2: Relationship between authoritative leadership style and performance

Inspection of Table 5.4 reveals that authoritative leadership style ( $r=0.039$ ,  $p>0.05$ ) has no statistically significant relationship with performance. These results again confirm that the null hypothesis ( $H_{02}$ ), which states that authoritative leadership style does not lead to achievement of the objectives of a strategic plan should not be rejected.

### 5.7.4. Predictive relationship between authoritative leadership style and performance

A linear regression analysis was performed between authoritative leadership style and performance, as the dependent variable. Authoritative leadership style was the independent variable. The results from the regression test in Table 5.6.

**Table 5.6: Predictive effect of authoritative leadership style on performance**

Model Summary								
Model	R	R Square	Adjusted R Square	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
1	.039 <sup>a</sup>	.002	-.026	.002	.056	1	36	.815

a. Predictors: (Constant), AuthoritLS

## 5.8. Sample description

The demographics of the participants in the study are presented in the tables that follow. The demographics relevant to this study are gender, age, highest qualification, position and sector.

**Table 5.7: Age Group**

Age group	Frequency	Per cent
21-30	8	21
31 -40	16	42
41-50	12	32
31-60	2	5
<b>Total</b>	<b>38</b>	<b>100</b>

Table 5.7 shows that 21 per cent of the participants were in the age category of 21-30 years; 42 per cent were in the age category of 31-40 years; 32 per cent were in the age category of 41-50 years and five per cent were in the age category of 51-60 years.

**Table 5.8: Gender**

Gender	Frequency	Per cent
Male	29	76

Female	9	24
<b>Total</b>	<b>38</b>	<b>100</b>

Table 5.8 shows that 76 per cent of the participants were male, and 24 per cent of the respondents were female.

**Table 5.9: Highest qualification**

<b>Highest Qualification</b>	<b>Frequency</b>	<b>Per cent</b>
Matric	1	3
Undergraduate degree	7	18
Postgraduate degree	27	71
Other	3	8
<b>Total</b>	<b>38</b>	<b>100</b>

Table 5.9 provides information concerning the highest educational qualifications of the participants. Some 71 per cent of the participants indicated that they had a postgraduate degree, and 18 per cent of the participants indicated that they had an undergraduate degree.

**Table 5.10: Sector**

<b>Sector</b>	<b>Frequency</b>	<b>Per cent</b>
ICT	7	18
Financial	8	21
Mining	1	3
Manufacturing	4	11
Retail	1	3
Real Estate	1	3
Other	9	24
Did not specify	7	18
<b>Total</b>	<b>38</b>	<b>100</b>

Table 5.10 provides information concerning the sector within which the participants worked. Some 21 per cent of the participants in the study were in the financial sector. About 11 per cent were in the manufacturing sector, and 18 per cent were in the ICT sector.

**Table 5.11: Position**

<b>Position</b>	<b>Frequency</b>	<b>Per cent</b>
Business Owner	18	47
CEO	5	13
Head of Department	3	8
Senior Manager	8	21

Chief Finance Officer	2	5
Chief Operating Officer (COO)	2	5
Total	38	100

Table 5.11 provides information concerning the position occupied by the participants; 47 per cent of the participants were business owners; 13 per cent were CEOs; eight per cent were heads of departments and five per cent were COOs.

### 5.9. Sample description

The results of the study show that there was no statistically significant evidence to support both alternative hypothesis ( $H_{a1}$ ): participative leadership style leads to achievement of the objectives of a strategic plan and  $H_{a2}$ : authoritative leadership style leads to achievement of the objectives of a strategic plan. As a result, both the null hypothesis ( $H_{o1}$ ) – which states that participative leadership style does not lead to achievement of the objectives of a strategic plan – and performance and  $H_{o2}$  – that authoritative leadership style does not lead to achievement of the objectives of a strategic plan – should not be rejected.

### 5.10. Conclusion

This chapter presented findings pertaining to the relationships between participative leadership style and performance (achievement of the objectives of a strategic plan), and authoritative leadership style and performance (i.e. achievement of the objectives of a strategic plan). The following chapter presents a discussion of the results as well as integrates the results with the literature review.

## **CHAPTER 6: DISCUSSION OF RESULTS**

### **6.1. Introduction**

The purpose of this chapter is to discuss the results presented in Chapter 5. These results are then integrated with the literature review. The implications of the present study's results are also discussed. The main objective of this study was to investigate the relationships between participative leadership style and performance and authoritative leadership style and performance.

### **6.2. Motivation for this study**

The main objective of this study was to explore the role of leadership in strategy implementation. Most of strategy plan initiatives are unsuccessful (Allio, 2005). Given the high failure rate of strategic initiatives, this study sought to raise awareness about the impact of leadership style on performance, which for the purpose of this study, was defined in Chapters 1 and 2 as the achievement of the objectives of a strategic plan. The success of a strategic plan depends on how well it is implemented. Understanding the thought processes and behavioural skills that facilitate strategic management in organisations in today's rapidly changing business environment is crucial (Bailey, 2003).

### **6.3. The relationship between participative leadership style and performance**

The individual relationships between participative leadership style and performance, as obtained by means of the Pearson product-moment correlation coefficients are discussed next. Following this, participative leadership style as a predictor of performance is discussed.

This research yielded no statistically significant correlations between participative leadership style and performance. Pearson product-moment coefficients indicated that no statistically significant relationship existed between participative leadership style and performance ( $r=0.066$ ,  $p>0.05$ ). The first null hypothesis ( $H_{01}$ ) was not rejected. These results thus provided no support for the alternative research hypothesis.

#### **6.3.1. Participative leadership style as a predictor of performance**

The linear regression analysis produced results which showed that participative leadership style does not predict performance. The results of the present study showed that participative leadership style explained less than one per cent of the variance in performance ( $R^2 = 0.004$ ,  $p>0.05$ ). These results provided further support that the null hypothesis ( $H_{01}$ ), which stated that participative

leadership style does not lead to achievement of the objectives of a strategic plan, was not rejected.

#### **6.4. The relationship between authoritative leadership style and performance**

The individual relationships between authoritative leadership style and performance, as obtained by means of the Pearson product-moment correlation coefficients are discussed next. Following this, authoritative leadership style as a predictor of performance is discussed.

This research yielded no statistically significant correlations between authoritative leadership style and performance. Pearson product-moment coefficients indicated that no statistically significant relationship existed between authoritative leadership style and performance ( $r=0.039$ ,  $p>0.05$ ). The second null hypothesis ( $H_{02}$ ) of this study stated that authoritative leadership style does not lead to achievement of the objectives of a strategic plan. Based on the results as presented in Chapter 5, this null hypothesis ( $H_{02}$ ) was not rejected. These results thus provided no support for the alternative research hypothesis.

##### **6.4.1. Authoritative leadership style as a predictor of performance**

The linear regression analysis results show that authoritative leadership style does not predict performance. The results of the present study showed that authoritative leadership style explains less than one per cent of the variance in performance ( $R^2=0.002$ ,  $p>0.05$ ). These results provided further support that the null hypothesis ( $H_{02}$ ), which stated that authoritative leadership style does not lead to achievement of the strategic plan, was not rejected.

The literature reviewed in Chapter 2 of this study drew attention to the definition problem relating to the concept of leadership. Culture does have an impact on leadership style and behaviour. Leadership is defined and perceived differently by different people. As Leavy (1997) argued, there are almost as many definitions of leadership as there are people who have attempted to define the concept. These differences in definitions and perceptions, especially in a multi-cultural country like South Africa, could perhaps explain why the results have failed to produce sufficient support for the research hypotheses. Notwithstanding the fact that there was no empirical evidence in support of the two research hypotheses, the objectives of the study have been met.

The findings from the current study are in contrast with some aspects of earlier studies, which suggested that there was a direct link between leadership style and organisation performance. The findings of a study conducted by Koene *et al.* (2002), reveal that charismatic leadership style had a substantial effect on organisational financial performance. Some researchers such as Leavy (1997) argues that it is far from clear what effects participative and authoritative leadership styles have on objective measures such as financial performance. As discussed in Chapter 2, the impact of

leadership style on performance is also dependent on the size of the organisation. The participants in the present study came from small to medium-sized organisations, which could have had an effect on their perception of leadership style and thus the outcome of the study. All of the respondents worked for companies that employed fewer than 500 people.

## **CHAPTER 7: CONCLUSION**

### **7.1. Conclusion**

The main objective of this study was to explore the impact of different leadership styles on organisational performance, which for the purpose of this study was defined as the achievement of objectives of a strategic plan. Furthermore, this study attempted to establish a relationship between participative leadership style and performance and authoritative leadership style and performance.

Based on the theory base which suggests that leadership style and performance are linked, it was hypothesised that there are relationships between participative leadership style and performance, and authoritative leadership style and performance. The results of the interview questionnaire and telephone interview were analysed, and sufficient empirical evidence was found to support both hypotheses. The results of the current study indicate that both participative and authoritative leadership styles are directly linked to performance.

While the results are subject to limitations, the findings have shown that there are no statistically significant relationships between both leadership styles and performance. This is in contrast to most of the literature reviews, which suggested that there is a link between leadership style and performance. The findings of the present study are, however, consistent with the positions and arguments of certain researchers, who have argued that leadership style and performance are not necessarily directly related.

Recommendations for future research are discussed in the section that follows.

### **7.2. Limitations of the research**

As with all research, this study had several limitations. There are several limitations to the interview questions and telephone questionnaire research including technical difficulties. Many of the people contacted did not have time for the interview nor were they ready when they were telephonically called in order to administer the questionnaire over the phone.

A further limitation of this study was the small sample size which could not produce the statistical results hypothesised. The small sample size could be risky in generalising. A study of this nature requires a relatively large sample. Some of the challenges encountered in this study were consistent with views of other researchers in the field of leadership and strategy. In common with the experience of leadership research, more generally, there were problems of definitions, appropriate unit of analysis and fundamental perspective (Leavy, 1997).

### **7.3. Recommendation for future studies**

- One possible reason why the results did not support the research hypothesis was the sample size. Future studies in this area should use larger samples.
- Future studies in this area will also have to ensure that the measurement instruments are clear with a narrow focus, given the fact that leadership is such a broad concept. A 5-point scale instrument is proposed for future studies.
- A variety of different research methods could be used to test the theory directly, including an online survey, comparative studies and simulation studies.



## APPENDICES

### Appendix 1: Research Questionnaire

#### Respondents' Informed Consent

Dear Sir/Madam,

I am doing an MBA research study on "The relationship between leadership style and organisational performance: A study of South African non-listed companies". Your participation in this study is voluntary. If you have any concerns, please contact me or my supervisor; our details are provided below.

Kindly assist to complete the questionnaire below.

Thank you for your participation!

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## SECTION 1: STRATEGIC PLAN OBJECTIVES

1. In terms of the company trying to accomplish its financial and/or strategic performance and targets, was the achievement of those objectives successful?
  - a. It was highly successful
  - b. It was quite successful
  - c. It was somewhat successful
  - d. It was not successful at all
2. From your point of view, was the achievement of a strategic plan successful according to the financial and/or strategic performance targets set for the company?
  - a. It was highly successful
  - b. It was somewhat successful
  - c. It was somewhat unsuccessful
  - d. It was not successful at all

## SECTION 2: LEADERSHIP STYLE QUESTION

3. Which of the following characterise your style of leadership? Please tick all that apply.
  - a. I guide others
  - b. I facilitate others
  - c. I am a change agent
  - d. I inspire others
  - e. I lift the aspirations of others
  - f. I raise the performance of others to higher levels
  - g. I develop others to their fullest
  - h. Others.....
4. How would your subordinates characterise the weaknesses in your leadership style? Please tick all that apply.
  - a. I micromanage
  - b. I do not give them enough time to complete their work
  - c. I do not communicate as well as I could
  - d. I do not take their input/feedback/comments into consideration when making a decision(s)
  - e. I am not sensitive to what is going on in the organisation

- f. I do not provide them with clear expectations
- g. I do not encourage or motivate them to succeed
- h. I have a hard time seeing my own weaknesses
- i. Other.....

5. How would your subordinate(s) characterise the strengths in your leadership style? Please tick all that apply.

- a. I give them the freedom to succeed
- b. I communicate well with people
- c. I take their input/feedback/comments into consideration when making a decision
- d. I am sensitive to what is going on in the organisation
- e. I provide them with clear expectations
- f. I encourage and motivate my staff to succeed
- g. I am good at influencing others
- f. I am hard-working
- i. I am focused on the success and reputation of the organisation, not my own
- j. Others.....

6. Which of the following senior level leadership dynamics are characteristic in implementing the strategic plan in your company? Please tick all that apply.

- a. Top-down or laissez-faire management style
- b. Unclear strategy and conflicting priorities
- c. Ineffective senior management team
- d. Poor top-down vertical communication
- e. Poor coordination into teamwork through realigning roles, responsibilities, and accountabilities with strategies
- f. Inadequate down-the-line leadership skills and development
- g. Others.....

### SECTION 3: BACKGROUND INFORMATION QUESTIONS

7. Your gender?

- a. Male
- b. Female

8. Your age on your last birthday?

- a. 21-30
- b. 31-40
- c. 41-50
- d. 51-60
- e. 61 or older

9. What is the highest level of education you have completed?

- a. Matric
- b. Undergraduate degree
- c. Postgraduate degree
- d. Other.....

10. How long have you been employed in your current position with the company?

- a. 0-4 years
- b. 5-9 years
- c. 10-14 years
- d. 15-19 years
- e. 20 years or more

11. How many employees (full and part-time), including yourself, are employed in the company?

- a. 1-49
- b. 50-99
- c. 100-249
- d. 250-499
- e. 500 or more
- f. I do not know

12. Which of the following categories best describes the company's current yearly revenues?

- a. R50,000,000 to R99,999,999
- b. R100,000,000 to R249,999,999
- c. R250,000,000 or more
- d. I do not know

13. Your current title

- a. CEO
- b. Business Owner
- c. Head of Department
- d. Senior Manager
- e. CFO
- f. COO
- g. Executive Director
- h. Director
- i. Other.....

14. Your current industry

- a. ICT
- b. Banking
- c. Financial services
- d. Mining
- e. Manufacturing
- f. Retail
- g. Real estate
- h. Other.....

**Appendix 2: Research Data****SECTION 1: STRATEGIC PLAN OBJECTIVES**

1. In terms of the company trying to accomplish its financial and/or strategic performance targets, was the achievement of those objectives successful?

Question	Frequency	Per cent (%)
a. Yes	34	71
b. No	5	10
c. Not sure	6	13
d. Not applicable	1	2
Did not specify	2	4
<b>Total</b>	<b>48</b>	<b>100</b>

2. From your point of view, was the achievement of a strategic plan successful according to the financial and/or strategic performance targets set for the company?

Question	Frequency	Per cent (%)
a. It was highly successful	13	27
<b>b. It was somewhat successful</b>	<b>31</b>	<b>65</b>
c. It was not successful at all	3	6
Did not specify	1	2
<b>Total</b>	<b>48</b>	<b>100</b>

**SECTION 2: LEADERSHIP STYLE QUESTIONS**

3. Which of the following characterise your style of leadership? Please tick all that apply.

Question	Frequency	Per cent (%)
a. I guide others	20	42
b. I facilitate others	22	46
c. I am a change agent	13	27
d. I inspire others	17	35
e. I lift the aspirations of others	14	29
f. I raise the performance of others to higher levels	18	38
g. I develop others to their fullest	16	33
h. Other	2	4
Did not specify	10	21
<b>Total</b>	<b>48</b>	<b>100</b>

4. How would your subordinate(s) characterise the weaknesses in your leadership style?

Please tick all that apply.

Question	Frequency	Per cent (%)
a. I macromanage	7	15
<b>b. I do not give them enough time to complete the their work</b>	<b>7</b>	<b>15</b>
c. I do not communicate as well as I could	14	29
d. I do not take their input/feedback/comments into consideration when making a decision(s)	5	10
e. I am not sensitive to what is going on in the organisation	4	8
f. I do not provide them with clear expectations	5	10
g. I do not encourage or motivate them to succeed	1	2

h. I have a hard time seeing my own weaknesses	7	15
i. Other	11	23
Did not specify	14	29
<b>Total</b>	<b>48</b>	<b>100</b>

5. How would your subordinate(s) characterise the strengths in your leadership style?  
Please tick all that apply.

Question	Frequency	Per cent (%)
a. I give them the freedom to succeed	25	52
b. I communicate well with people	21	44
c. I take their input/feedback/comments into consideration when making a decision	21	44
d. I am sensitive to what is going on in the organisation	17	35
e. I provide them with clear expectations of what is going on in the organisation	17	35
f. I encourage and motivate my staff to succeed	24	38
g. I am good at influencing others	18	38
h. I am hard-working	24	38
i. I am focused on the success and reputation of the organisation, not my own	18	38
j. Other	2	4
Did not specify	10	21
<b>Total</b>	<b>48</b>	<b>100</b>



6. Which of the following top-management dynamics are characteristic in implementing the strategic plan in your company? Please tick all that apply.

Question	Frequency	Per cent (%)
a. Top-down or laissez-faire	16	33
b. Unclear strategy and conflicting priorities	8	17
c. Ineffective senior management	7	15
d. Poor top-down vertical communication	9	19
e. Poor coordination into teamwork through realigning roles, responsibilities, and accountabilities with strategies	7	15
f. Inadequate down-the-line leadership skills and development	6	13
g. Other	6	15
Did not specify	11	23
<b>Total</b>	<b>48</b>	<b>100</b>

### SECTION 3: BACKGROUND INFORMATION QUESTIONS

7. Your gender?

Question	Frequency	Per cent (%)
a. Male	30	63
b. Female	8	17
Did not specify	10	21
<b>Total</b>	<b>48</b>	<b>100</b>

**8. Age Group**

<b>Age group</b>	<b>Frequency</b>	<b>Per cent (%)</b>
21-30	8	21
31 -40	16	42
41-50	12	32
31-60	2	5
<b>Total</b>	<b>38</b>	<b>100</b>

**9. Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Per cent (%)</b>
Male	29	76
Female	9	24
<b>Total</b>	<b>38</b>	<b>100</b>

**10. Highest Qualification**

<b>Highest Qualification</b>	<b>Frequency</b>	<b>Per cent (%)</b>
Matric	1	3
Undergraduate degree	7	18
Postgraduate degree	27	71
Other	3	8
<b>Total</b>	<b>38</b>	<b>100</b>

**11. Sector**

<b>Sector</b>	<b>Frequency</b>	<b>Per cent (%)</b>
ICT	7	18
Financial	8	21
Mining	1	3
Manufacturing	4	11
Retail	1	3
Real Estate	1	3
Other	9	24
Did not specify	7	18
<b>Total</b>	<b>38</b>	<b>100</b>

**12. Position**

<b>Position</b>	<b>Frequency</b>	<b>Per cent (%)</b>
Business Owner	18	47
CEO	5	13
Head of Department	3	8
Senior Manager	8	21
Chief Finance Officer	2	5
Chief Operating Officer	2	5
<b>Total</b>	<b>38</b>	<b>100</b>

**13. How long have you been employed in your current position with the company?**

Number of Years	Frequency	Per cent (%)
0- 4 years	18	47
5 -9 years	13	34
10 -14 years	4	11
15 -19 years	2	5
20 years or more	1	3
Total	38	100

**14. How many employees (full and part-time), including yourself, are employed in the company?**

Number of employees	Frequency	Per cent (%)
1-99	9	24
100-199	2	5
200-299	7	18
300-399	5	13
400-499	15	39
500 or more	0	0
Total	38	100

**15. Which of the following categories best describes the company's current year revenue?**

Company Turnover	Frequency	Per cent (%)
R0-25 million	7	18
R26-50 million	5	13
R51-100 million	21	55
R101-150 million	4	11
R150 million or more	1	3
Total	38	100

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