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# THE PALGRAVE HANDBOOK OF LEADERSHIP IN TRANSFORMING ASIA

Edited by Nuttawuth Muenjohn & Adela McMurray



The Palgrave Handbook  
of Leadership in Transforming Asia

Nuttawuth Muenjohn • Adela McMurray  
Editors

# The Palgrave Handbook of Leadership in Transforming Asia

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*To my wife and sons: Napasorn, Peamawat and Bunnawat*  
– Nuttawuth Muenjohn

*For all of time, to my parents and children.*  
– Adela McMurray

# Preface

This book provides a comprehensive overview of current research addressing leadership styles, behaviors, practices, and developments in the Asian context. The imperative role of leadership in organizations and its influence on subordinates' behaviors, other stakeholders, and performance motivated us to incorporate the results of recent scholarly research and develop a guide for researchers and practitioners interested in enhancing leadership effectiveness in Asia.

The region's advancements over the past decades and its contribution and effect on the global economic environment raise the need to further investigate how leadership in these countries enhances individual and organizational outcomes in various industry sectors. This book in its investigation covers a variety of leadership styles including design leadership, transformational and transactional leadership, ethical leadership, innovation-enhancing leadership, leader-member exchange theory of leadership, as well as other vital leadership models and theories. The scholarly research findings and proposed conceptual frameworks focus on leadership development and desired individual and organizational outcomes such as performance, creativity and innovation, ethics, sustainability, and job satisfaction.

In studying leadership, it is suggested that the environmental context needs to be considered due to the influence of cultures and values on leadership effectiveness. Due to leadership's significant impact on an organization's success, performance, and competitiveness, it is critical to examine this phenomenon based on a cross-cultural leadership perspective as well as considering various industrial sector requirements. Therefore, more than 10 countries (e.g., China, India, Malaysia, Singapore, Indonesia, Thailand, Saudi Arabia, Australia, Pakistan, Iran) and a wide range of industrial sectors

(e.g., education, hospitality, banking, information, manufacturing) and organization types (SMEs, MNCs, and public sector) have been studied to empirically examine leadership theories more contextually.

Predominantly the research until now has been conducted in Western contexts. In contrast, this book offers an Asian perspective with implications for future research and leadership practice. One example is the research highlighting empathetic leadership. This is based on 10 years of field work in China and interviews conducted with 20 different foreign multinational enterprises so as to ascertain the impact of leadership practice on responsible supply chain management. Important in the current climate of economies once dominated by the collectivist culture of socialist state-owned enterprises, now transitioning to market-based models, is a qualitative study of business leadership in Vietnam as perceived by multiple stakeholders.

The book broaches the dark side of leadership in economies where reform of public and private sectors is recommended, presenting theories of good and troubled leadership, negative moral and ethical behaviors, and their implications.

By providing a broad understanding of contextually effective leadership practices, styles, and behaviors in Asia, the book uniquely contributes to the leadership literature and to leadership practice, thereby encouraging more research in other non-Western countries. The editors would like to express their appreciation to all authors whose valuable contributions made this project possible.

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# Part I

East Meets West

# Leadership, Diversity and Cross-Cultural Leadership in China and Australia

Heath S. Grow and Anona F. Armstrong AM

## Introduction

The study described in this chapter is drawn from an unpublished PhD thesis (Grow, 2014) which explored the differences in leadership styles between the leaders in the hospitality industry in Australia and China. This chapter describes the investigation of the impact of cultural and socio-economic variables on the leadership styles of leaders from both countries.

## Context of the Research

Service industries have been targeted by governments in most countries (including Australia) as the most likely source of future employment and economic growth. The most significant service industry in this regard is the hospitality and tourism industry.

Hospitality is a major service industry in both Australia and China. The National Bureau of Statistics of China (2012) showed that, on average, the provision of 'hospitality' businesses in that country is 84 per city (172,070 legal entities with 5,267,518 employees). The Australian Department of Resources, Energy and Tourism (2012) reported that in Australia 81,732

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businesses were hospitality businesses employing 232,400 persons. Chinese tourists rank third in terms of international expenditure, Australia is ranked tenth (World Tourism Organization, 2012).

A Free Trade Agreement between the governments of Australia and China and the proposed relaxation of visa regulations and evidence of growth (Leavy, 2015) will facilitate and bolster both short-term visitors and opportunities for talented professionals to work in both countries. Furthermore, the expansion of Asian hotel companies in the West (Sims, 2015) and in the East by Euro-American hotel chains, for example, Accor (2015), Hilton Worldwide (2015), and Hyatt Hotels (2015), suggests a need for cross-cultural leadership in both countries.

However, some evidence of haphazard management practices within organisations, such as ad hoc disciplinary procedures (Head & Lucas, 2004) and ignoring safety regulations, led Poulston (2008) to question whether hospitality leaders are adequately prepared for their roles – which is concerning for the industry's performance.

In order to increase performance within in the international hotel sector, Fyall and Spyriadis (2003) promoted the increase of collaboration (a key leadership function) and concluded that 'international hotel chains need to adopt a more sophisticated approach to strategic marketing and planning' (p. 108). The need for better human resource planning in the hospitality industry is a priority because of the rapid turnover of staff and the sensitivity of business operations to acute economic stress.

Hospitality and tourism has suffered further due to fluctuations in the value of the Australian dollar against the US dollar (Lapperman, 2009). In order to improve this situation and improve long-term planning, effective leadership is urgently required (NLTS Steering Committee, 2009).

This view was reinforced by the peak industry body TTF Australia (2008), which, prior to introducing the National Long-term Tourism Strategy (Department of Resources, Energy and Tourism, 2009), advised the Australian government that leadership within the industry appeared to be inadequate:

... of all the challenges facing the Australian tourism industry, leadership is the biggest – for without strong leadership, none of the other challenges will be addressed in a comprehensive manner. Leadership is required at all levels of the industry (p. 28).

Given the global environment of the industry and the probable movement of industry leaders seeking both experience and opportunities across borders in Australia and China, it is timely to ask: what is the preferred style of

leadership in each country, and are there differences in leadership style due to the influence of diversity in sex, age, education and ethnicity? How will these affect the success of leaders managing in different cultural backgrounds?

This chapter introduces the literature on leadership and diversity that informed a comparative study of leadership in the hospitality industry in China and Australia conducted to address these questions.

## Literature Review

### Leadership

In numerous definitions of leadership, there is a general agreement that leadership is an influence process that assists groups of individuals towards some common goal attainment. Leadership and management are different concepts. Kotter (1991) distinguishes between management, focused on planning, budgeting and organising, whereas leadership produces change, through vision building, strategising, and communicating and motivating followers. It is difficult to be a leader without any followers. Although different concepts, in practice, there is a considerable amount of overlap of the management and leadership roles especially in hospitality and tourism where the leaders in some organisations (e.g. owner/managers or chefs in restaurants) often have considerable operational responsibilities.

The full-range leadership model (Avolio & Bass, 1994; Bass, 1985) is one of the most researched models to describe the relationship between leaders and followers (Krüger, Rowold, Borgmann, Staufienbiel, & Heinitz, 2011; Parry, 1998). The model has two major dimensions, transformational leadership and transactional leadership, which are summarised below.

Bass argued that transformational leadership, by giving more attention to followers personal and psychological needs, motivated followers by (a) raising followers' levels of consciousness about the importance of idealised goals, (b) getting followers to transcend their own self-interest for the sake of the team or organisation and (c) moving followers to address higher end needs (Northouse, 2015). Although transformational leadership has been criticised for its potential to manipulate followers (Tourish, 2013), an expectation from the successful application of transformational leadership is that followers would develop to their full potential.

The leaders become role models for their followers, have highly developed ethics and are confident, competent and articulate. So, if a leader is fully

transformational, it would be expected that followers would develop into self-motivated and autonomous decision-making individuals moulded to support their organisations' goals and objectives. Transformational leaders utilise the following four components of leadership:

- Idealised Influence – Leaders become role models for followers to try and emulate.
- Individual consideration – Leaders act as mentors for followers by providing support. In addition, leaders recognise and embrace the differences of each of their followers to influence change.
- Inspirational Motivation – Leaders motivate and inspire followers by involving them and providing challenges and meaning to their work.
- Intellectual Stimulation – Leaders stimulate followers to question practices and problems, to think creatively and develop new approaches to work issues.

Transactional leadership is not focused on the personal needs of followers but based on the exchange of something of value between the leader and followers. Politicians would seek the vote of followers in exchange for favours. A dean at a university would negotiate with professors about the number and quality of publications they need in order to receive tenure and promotion (Grow & Armstrong, 2015). An employee in a local government engineering department would collect garbage because they were remunerated at a high level. Transactional leaders are therefore more likely to use the power of their position and their ability to provide monetary rewards to motivate followers to perform in conjunction with the following four substyles of leadership:

- Contingent Reward – Leaders and followers agree on what needs to be done. When tasks are completed satisfactorily, leaders reward their followers. A commission for reaching a sales target is an example of this approach.
- Management by Exception (active) – Leaders proactively monitor standards, notice potential errors or mistakes, and takes corrective action before a problem arises.
- Management by Exception (passive) – Leaders, in contrast to the active style, wait for problems to arise and then react when they need to be addressed.
- Laissez Faire Leadership – The absence of leadership, no transaction occurs between leaders and followers: no leadership takes place.

Laissez Faire Leadership represents the absence of leadership. As a style it is contentious as early leadership research deemed this leadership style to be distinct from transformational and transactional styles. In their revision, however, Avolio and Bass (1994) deemed that Laissez-faire was a transactional substyle.

Leaders employing a laissez-faire style generally have no vision for the future of their organisation, communicate rarely with followers, provide little information and may be 'invisible' in the workplace. Power is accorded to a leader by virtue of their appointment to a position of influence or because of their personal attributes. A laissez-faire leader exercises power as a result of their appointment. A lack of leadership would be apparent in lack of empathy and respect for subordinates, hot and cold relationships with individuals and lack of team building, incompetence and indecisiveness in decision-making, lack of risk-taking and innovation, and resistance to any change that might threaten their position.

The choice between a transformational or transactional leadership styles may be influenced to some extent by context, but the most satisfying leaders, from a follower's perspective, would be expected to exhibit a predominance of transformational behaviours. A leader who is ineffective would show a tendency to be inactive due to the most frequent use of Laissez Faire Leadership.

## **The Role of Transformational Leadership in the Hospitality Industry**

Many valuable insights into the leadership styles of hospitality leaders were gained from previous research that investigated the operationalisation of theories other than the full-range leadership model. These include age (Nebel & Stearns, 1977; White, 1973), education (Arendt & Gregoire, 2005, 2008; Kozak & Uca, 2008), ethnicity (El Masry, Kattara, & El Demerdash, 2004; Testa, 2002, 2004) and sex (Arendt & Gregoire, 2005, 2008; Whitelaw & Morda, 2004).

Among the (very few) studies confined to exploration of the relationships in the hospitality industry between leadership as defined in the full-range model were Tracey and Hinkin (1994, 1996) and Hinkin and Tracey (1994) in the USA, Erkutlu (2008) in Turkey and Grow (2014) in Australia and China.

The studies by Tracey and Hinken were designed to develop a leadership that identified both transformational and transactional leadership behaviours and their importance for the hospitality industry. A significant positive

relationship was evident between transformational leadership and leadership effectiveness. Effectiveness was defined as openness of communication, mission clarity, role clarity and subordinates' satisfaction with their leader. Although they found that the most effective leaders were more transformational than transactional, they suggested that transactional leadership may be more suitable for operational situations in more stable times.

Erkutlu (2008) found that all elements of transformational leadership were positively related to leadership outcomes, while the opposite was true for transactional and laissez-faire styles of leadership where a negative relationship was observed. Erkutlu's study also found a cultural difference between managers of properties owned by the Turks and those owned by non-Turks. The former were more transactional, and the latter more transformational, indicating that culture and attitude may affect leadership style.

Grow's (2014) study was possibly the first cross-cultural study of diversity in hospitality leadership between China and Australia. The aim of the study was a transnational, cross-cultural investigation of the relationship between leaders' socio-demographic characteristics and leadership style in Australia and China.

Before describing this study, it may be useful to review some of the previous research into the diversity of leaders.

## Leadership and Diversity

In the context of rapid turnovers of tourism and hospitality staff, and the ease with which staff can travel across borders to meet an unfulfilled demand for industry leaders, it appears that people seeking leadership positions in the industry will need not only traditional management and leadership skill sets but also an appreciation of diversity and what this entails for managing in the new cross-cultural environment.

Managing diversity in the tourism and hospitality workforce is essential if the industry is to (a) have access to adequate leadership, (b) be able to compete for staff and tourists across borders and (c) provide equity for the increasingly diverse members of its workforce.

Sex is a key aspect of diversity, but other attributes such as race with cultural heritage (or ethnicity), education, professional backgrounds and age are critical factors. Recommendation 1.5 of the ASX Corporate Governance Council's (2014) *Corporate Governance Principles and Recommendations* suggests that diversity is much broader. It states that:

It should be noted that while the focus of this recommendation is on gender diversity, diversity has a much broader dimension and includes matters of age, disability, ethnicity, marital or family status, religious or cultural background . . . and gender identity (p. 12).

## Sex

Gender refers to the way meanings and evaluations are associated with sex by members of a culture (Northouse, 2015), whereas sex refers to being male or female. The terms are often used interchangeably; however, the study explored in this chapter examines the role of sex.

Women are disadvantaged when it comes to leadership positions in most fields. A recent TV campaign by the Defence Forces illustrates this well. It starts with the question ‘what do women want?’ The answer is ‘to lead others’. The inference is that this opportunity is available to women in the Defence Forces even if not elsewhere.

Many studies have examined the role of sex and leadership. Recent studies (Adams & Borsellino, 2015; Kang, Cheng, & Gray, 2007; Wang & Clift, 2009) suggest that the lack of ‘gender diversity’ on boards may raise significant ethical, political and economic issues as women continue to become larger proportions of the workforce. Anecdotally, Vandenberg (2010) suggests that successful women who do reach the higher echelons of the business world tend to adopt masculine behaviour rather than remaining true to themselves.

A lack of gender diversity on corporate boards has received most attention because of the discrepancy between women who are graduates, employees and customers, and their representation in key decision-making roles within organisations. In 2014, only 12.3 per cent of directorships in Australian ASX companies were held by women (Song, 2015). While the figure for China is not available, in Hong Kong, women hold only 9.4 per cent.

In a study by Barbuto, Fritz, Matkin, and Marx (2007), sex differences were evident as females expressed a desire for considerateness, a significant factor of transformational leadership, whereas males were indifferent. In the hospitality industry, Whitelaw and Morda (2004) found significant differences in workers’ perceptions of the leadership styles of leaders of different sexes. Males were seen to concentrate their efforts on fixing and preventing problems by engaging in transactional behaviour, while females more than males tended to emphasise a more transformational approach.

Sex is a key aspect of diversity, but other studies have found that attributes such as age, education and professional backgrounds, and ethnicity are critical factors.

## Age and Education

The literature as it applies to hospitality appears to overlook sex, age and education as factors influencing leadership style. This may be perceived as a reinforcement of the position taken by Barbuto et al. (2007), who indicated that sex, age and education levels as ‘predictors of leadership style... are nearly absent from the [management and psychological] literature research’ (p. 73). Today, the literature reflects a similar situation and, as such, this chapter will provide a discussion of those issues in order to narrow the current gap in knowledge.

The scope of relevant age and education studies in relation to leadership is limited because papers either focus on retirees or teenagers (Barbuto et al., 2007). Education and age were recognised by Erkutlu (2008) as significant predictors of leadership style. Barbuto et al. (2007) tested the impact of sex, age and education and their interactions on leadership and their associated outcomes. The greater one’s education level, the less structuring was required by leaders (Vecchio & Boatwright, 2002).

## National Culture and Ethnicity

One of the most debated issues encountered in cross-cultural leadership research is whether or not leadership practices are successfully applicable or transferable across a range of cultures or nations.

Lord, De Vader, and Alliger (1986) found that the performance of leaders differed depending on the context and concluded that followers from different cultures, experiencing the same behaviour, were likely to interpret it differently. Hofstede (2001) agreed. In his study of the different values held by people of different ethnicity, he showed how cultural values influence concepts of leadership. He concluded that in order to address cultural diversity and entrenched cultural value systems, leadership practices needed to be adapted to fit specific national contexts (Hofstede, 2001).

Muenjohn and Armstrong (2008) and Muenjohn, Armstrong, and Hoare (2012) confirmed that expectations of leadership were influenced by culture. Their cross-cultural study of leadership in Australia and Thailand found that followers in Thailand, a country with Hofstede’s ‘high-power distance’ inequality, and strong collectivism, expected leaders to assume authoritative roles that followers in Australia, a country with ‘low-power distance’ and high individualism, may have regarded as patronising or even intrusive. Indeed, Gillet and Morda (2003) and Grow and Armstrong

(2013) highlighted in their hospitality-based research that leadership styles may yield different results depending on the host culture – thus what is suitable in the West may not be suitable in the East. Similar results were reported by Shen (2010) in an investigation of local executives working for American ventures in China.

In contrast, Burns (1978) suggested in his seminal work on leadership that transformational leaders practised a style of leadership that was universal. This was due to behavioural patterns they exhibited, for example, transformational leaders limit their (sometimes destructive) self-interest by setting achievable goals and embracing their followers' skills and attributes. This theme appears to have remained appealing as Bass (1997) suggests that transformational leadership transcends national boundaries and that there is a general consensus that:

transformational leadership tends to be more effective and satisfying than contingent rewarding, contingent rewarding is more effective and satisfying than managing by exception, and managing by exception is more effective and satisfying than Laissez Faire Leadership. Transformational leadership tends to add to the effects of transactional leadership, not substitute for the latter (p. 137).

Both Burns' (1978) and Bass' (1997) conceptualisation of leadership and subsequent research was focused on US-based leaders. Dorfman (1996), however, found universal leadership behaviour in respondents from Japan, South Korea, Taiwan, Mexico and the USA.

Whether globalisation forces are leading national and global organisations to converge on leadership principles and practices is of interest because of the growing cross-border exchanges of leaders in many fields including hospitality. Similarly, knowing what is the preferred leadership style in each country, and whether there are differences in leadership style due to the influence of sex, age, education and ethnicity, has implications for the training, selection and success of leaders operating in different countries.

## Research Questions

The primary question for this chapter is

- Are there differences in the transactional and transformational leadership styles of Australian and Chinese managers in the hospitality industry?

In order to answer the research question, the following three subquestions were posed:

- What leadership style is most often reported by current leaders in each country?
- Are there differences in leadership style due to the influence of sex, age education and ethnicity?
- Are there differences between the leadership styles of males and females?

## Research Methodology

A structured two-part questionnaire was designed to collect (a) demographic information and (b) self-reported leadership style.

Leadership style for the purpose of this research was defined using Avolio and Bass' (1994) full-range leadership model which encompasses transformational and transactional leadership. Thus, the *Multifactor Leadership Questionnaire* (MLQ) was employed consistent with previous research (Erkutlu, 2008; Grow & Armstrong, 2013; Hinkin & Tracey, 1994; Tracey & Hinkin, 1994, 1996). The MLQ poses 45 questions that assessed the factors of transactional leadership (16 questions), transformational leadership (20 questions) and leadership outcomes (9 questions). The inventory uses a rating scale that ranged from 0 to 4. The scale items presented below represent frequency of occurrence and the associated score:

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

## Sample

The sample was stratified based on hotel location and standing and employees' age and type of appointment.

### Sample Selection: Hotels

The criteria for selection of hotels to be included in the sample were

- Location – the hotel is situated within the principal business area of the capital city of an Australian state or of a province or administrative division in China.

- Standing – the hotel is an internationally branded four- or five-star property.
- Size – the hotel employs 150 persons or more.

The refinement shown in criterion 3 is in keeping with Patiar and Mia (2009) as it was necessary to ensure that a suitable organisational hierarchy existed.

### Sample Selection: Participants

The criteria for selection of participants were

- Sex – either male or female.
- Age – 18 years of age or older.
- Employment status – employed on a full-time basis.

### Data Capture Area

Data were collected in the areas shown in Table 1. Respondents participating in the study formed a sample of convenience, and although the data were collected in geographically distributed areas, no claim is made as to its representativeness. The sample size in both Australia and China was 500 per country.

### Survey Procedure

#### Australia

In Australia, local conference guide books such as the Melbourne Convention + Visitor Bureau's *Planners Guide*, for example, were consulted for initial identification of suitable establishments. Such publications were selected because of their status as industry handbooks and the comprehensive

**Table 1** Australian states and Chinese provinces and administrative divisions where data collection was undertaken

Australia State	China	
	Province	Administrative division
New South Wales	Guangdong	Beijing
Queensland	Henan	Chongqing
Victoria	Shaanxi	Shanghai
Western Australia	Shandong	

data contained within them. Properties that met the criteria outlined earlier in this chapter were contacted by telephone in order to (a) identify the number of staff employed and the hotel and (b) obtain the name and designation of the person primarily responsible for the Human Resources Department (HR). This became the sample frame for the research.

An open invitation was then sent to the head of HR at each of the properties with a letter from the researchers containing an overview of the study and an abridged copy of the questionnaires. The letter sought organisational consent to facilitate the study and permission to approach their staff in order to attain individual consent to participate in the study. Where organisational consent was granted a time that was not operationally sensitive was organised to distribute the questionnaires.

## China

The process was similar for recruitment of participants in China. Rather than conference guidebooks, popular hotel reservation websites were used to identify suitable properties in conjunction with assistance provided by the China National Tourism Administration. In order to minimise linguistic misunderstandings and maintain professional diplomacy, hotel general managers rather than heads of HR were telephoned to solicit interest. Where positive interest was shown, the information contained in the package sent to Australian hotels was sent to the respective general managers, in English, for their consideration and subsequent organisation of times to distribute questionnaires.

## Data Collection and Analysis

In both countries, questionnaires were administered locally as a 'smartform' and results were emailed back to a secure email address in XML format.

A questionnaire designed to investigate leadership differences, collected demographic data and responses to questions pertaining to Transformational and Transactional Leadership styles (MLQ) as developed by Avolio and Bass (1994).

Questionnaires were translated from English into Putonghua Chinese (using simplified characters). The documents were 'culturally translated' rather than directly translated from source to target language (Price & Oshima, 1998) and then translated back into English by a different translator to check consistency and ensure accuracy.

The relationships between the demographic variables and the component leadership style variables were analysed using univariate and multivariate statistics.

## Findings

The aims of this research were to identify similarities and differences, in terms of leadership style, between males and females employed in the hospitality industry in Australia and China.

In order to identify any differences, leaders' responses to the MLQ were analysed in conjunction with their demographic characteristic (sex, age, level of education and ethnicity) using univariate and multivariate techniques.

The leadership styles were those of transactional leadership (Contingent Reward, Management by Exception and Laissez Faire Leadership) and transformational leadership (Idealised Influence, individual consideration, Inspirational Motivation and Intellectual Stimulation).

For clarity, the findings are grouped by the demographic characteristic.

## Demographic Summary

### Sex

Table 2A indicates that the Australian and Chinese groups had almost identical sex representation. Females accounted for 53 per cent of the sample in Australia, whereas in China it was slightly lower at 52.6 per cent.

Sex did not yield any significant differences when analysed as male versus female (Wilks'  $\Lambda = 0.987$ , Sig = 0.144). When the data were analysed on the basis of location, rather than combined, sex was found to be significantly related to leadership style (Wilks'  $\Lambda = 0.975$ , Sig = 0.003). The results are presented in Table 2B.

**Table 2A** Participants' sex: Australia and China

Sex	Australia		China	
	<i>n</i>	%	<i>n</i>	%
Male	235	47.00	237	47.40
Female	265	53.00	263	52.60
Total	500	100.00	500	100.00

**Table 2B** Transactional and transformational leadership by sex and location

	<i>F</i>	<i>df</i>	Sig.	Means			
				Males		Females	
				Australia <i>n</i> = 235	China <i>n</i> = 237	Australia <i>n</i> = 265	China <i>n</i> = 263
CR	3.232	1	0.073	2.994	2.670	2.885	2.699
MBE-P	0.003	1	0.956	1.313	1.652	1.225	1.570
MBE-A	0.710	1	0.400	2.374	2.142	2.220	2.067
LF	7.639	1	<b>0.006</b>	0.932	1.515	1.081	1.371
II-A	11.189	1	<b>0.001</b>	2.863	2.408	2.708	2.521
II-B	1.618	1	0.204	2.837	2.570	2.807	2.642
IM	5.038	1	<b>0.025</b>	3.019	2.717	2.915	2.783
IS	3.169	1	0.075	2.887	2.628	2.776	2.656
IC	6.145	1	<b>0.013</b>	2.945	2.400	2.832	2.492

Note: Significant ANOVAs (Analysis of Variance) within the table are **bolded**  
 CR Contingent Reward, IC Individualised Consideration, II-A/II-B Idealised Influence (attributed or behaviour), IM Inspirational Motivation, IS intellectual stimulation, LF Laissez Faire Leadership, MBE-A/MBE-P Management by Exception (active or passive)

As may be noted in Table 2B, four significant relationships were evident and these have been bolded in the table.

Australian males and females are more transformational than their Chinese counterparts as is reflected in their higher scores in Idealised Influence (attributed), Inspirational Motivation and Individualised Consideration. Chinese females, however, were more transformational than Chinese males.

In terms of transactional leadership, laissez-faire was the only significant style. The former trend was reversed with Chinese males dominating this style.

## Age

It is noted in Table 3A that Australia has a higher proportion of older workers who participated in the study with nearly half in their 30 s and 10.60 per cent aged 50 years or more. China by comparison had predominantly younger participants with 42.40 per cent being in their 20 s and 36.80 per cent in their 30 s. Only 4.4 per cent were aged 50 years or more, which is considerably less than the Australian sample (Table 3A).

**Table 3A** Participants' age: Australia and China

Age	Australia		China	
	<i>n</i>	%	<i>n</i>	%
20 s	135	27.00	212	42.40
30 s	214	42.80	184	36.80
40 s	98	19.60	82	16.40
50+	53	10.60	22	4.40
Total	500	100.00	500	100.00

Note: Significant Adj.Res. within the table are *italicised*

**Table 3B** Leadership style induced by age

	<i>F</i>	<i>df</i>	Sig.	Means			
				20 s	30 s	40 s	50+
				<i>n</i> = 347	<i>n</i> = 398	<i>n</i> = 180	<i>n</i> = 75
CR	2.910	3	<b>0.034</b>	2.741	2.858	2.800	2.907
MBE-P	0.774	3	0.508	1.470	1.388	1.472	1.470
MBE-A	0.550	3	0.648	2.161	2.228	2.211	2.173
LF	2.566	3	0.053	1.318	1.204	1.107	1.193
II-A	2.899	3	<b>0.034</b>	2.545	2.658	2.661	2.727
II-B	3.318	3	<b>0.019</b>	2.644	2.720	2.771	2.870
IM	2.313	3	0.075	2.795	2.878	2.893	2.960
IS	3.650	3	<b>0.012</b>	2.666	2.756	2.749	2.913
IC	8.849	3	<b>0.000</b>	2.545	2.700	2.707	2.960

Note: Significant ANOVAs within the table are **bolded**

CR Contingent Reward, IC Individualised Consideration, II-A/II-B Idealised Influence (attributed or behaviour), IM Inspirational Motivation, IS intellectual stimulation, LF Laissez Faire Leadership, MBE-A/MBE-P Management by Exception (active or passive)

Older aged groups (50+ years) indicated that they preferred transformational leadership more than transactional leadership which was favoured by younger aged leaders (aged 20–30 years) as is reflected in Table 3B. Australia has a predominance of older participants. This is not surprising given the retirement age for Chinese men and women (60 and 50) respectively and the attractiveness of a hotel job for semi-skilled Chinese.

Contingent Reward was the only statistically significant relationship at the ANOVA level (transactional analysis). It appeared that leaders in their 20 s were least likely to use that style, whereas those aged above 50 years were the most likely. In terms of transformational leadership, each of the substyles was statistically significant, except Inspirational Motivation. The findings reflect the same pattern as Contingent Reward; those aged above 50 years were more likely to use transformational leadership styles whereas 20 year olds were less likely.

## Education

Educational attainment revealed significant differences between the two nations (see Table 4A). TAFE and polytechnic qualifications were consistent across the two groups with 41.40 per cent of Australians and 44.80 per cent of Chinese preferring to attain this level of education while working in the industry. Overall, Australians reported higher levels of undergraduate degree and postgraduate education while Chinese were less educated overall.

**Table 4A** Participants' highest education level: Australia and China

Education level	Australia		China	
	<i>n</i>	%	<i>n</i>	%
Final year of high school (Year 12)	52	10.40	143	28.60
TAFE/Polytechnic/ Trade School qualification	207	41.40	224	44.80
Undergraduate degree	153	30.60	108	21.60
Postgraduate diploma	54	10.80	22	4.40
Master's degree	34	6.80	3	0.60
Doctorate	0	0.00	0	0.00
Total	500	100.00	500	100.00

Note: Significant Adj.Res. within the table are *italicised*; TAFE, Technical and Further Education

'TAFE' is recognised in every day speech and the academic register in Australia.

**Table 4B** Leadership style induced by education level

	<i>F</i>	<i>df</i>	Sig.	Means				
				High school	TAFE	Bachelor degree	PG diploma	Master's degree
				<i>n</i> = 195	<i>n</i> = 431	<i>n</i> = 261	<i>n</i> = 76	<i>n</i> = 37
CR	6.723	4	<b>0.000</b>	2.631	2.813	2.884	2.905	3.020
MBE-P	1.537	4	0.189	1.558	1.388	1.428	1.484	1.358
MBE-A	1.586	4	0.176	2.079	2.226	2.239	2.197	2.196
LF	3.689	4	<b>0.005</b>	1.433	1.179	1.156	1.234	1.128
II-A	2.003	4	0.092	2.529	2.615	2.667	2.734	2.703
II-B	2.536	4	<b>0.039</b>	2.594	2.724	2.770	2.720	2.831
IM	2.465	4	<b>0.044</b>	2.771	2.852	2.915	2.836	3.041
IS	3.054	4	<b>0.016</b>	2.613	2.737	2.786	2.796	2.885
IC	2.692	4	<b>0.030</b>	2.551	2.654	2.726	2.760	2.818

Note: Significant ANOVAs within the table are **bolded**

CR Contingent Reward, IC Individualised Consideration, II-A/II-B Idealised Influence (attributed or behaviour), IM Inspirational Motivation, IS intellectual stimulation, LF Laissez Faire Leadership, MBE-A/MBE-P Management by Exception (active or passive)

As is reflected in Table 4B, a positive relationship was evident between education and transactional leadership at the MANOVA (Multivariate analysis of variance) level (Wilks'  $\Lambda = 0.956$ , Sig = 0.001). Contingent Reward and laissez-faire leadership were both significant at the ANOVA level. Participants with high school education were less likely to use Contingent Reward and more likely to engage in laissez-faire behaviour. The opposite is true of participants holding a master's degree.

Education did not appear to have a significant relationship with transformational leadership at the MANOVA level (Wilks'  $\Lambda = 0.977$ , Sig = 0.294). Nevertheless, significant ANOVAs indicated that the more highly educated the leader the more likely they were to engage in subcomponents of that style.

## Ethnicity

Participants from Australia were of varying ethnicities (Anglo/Saxon = 44.6%, European = 21.8%, East Asian = 13.8%, South Asian = 10.6% and other heritage = 9.2%). One hundred per cent of the sample from China identified as East Asian as may be seen in Table 5A.

For the purpose of the analysis, ethnic groups were further divided into self-identifying groups based on the language spoken at home (English or LOTE). All leadership substyles were significant, as may be noted in

**Table 5A** Participants' ethnicity: Australia and China

Ethnicity	Australia		China	
	<i>n</i>	%	<i>n</i>	%
Anglo/Saxon				
Speaks English at home	223	44.60	0	0.00
European				
Speaks English at home	69	13.80	0	0.00
Speaks a LOTE at home	40	8.00	0	0.00
East Asian				
Speaks English at home	30	6.00	0	0.00
Speaks a LOTE at home	39	7.80	500	100.00
South Asian				
Speaks English at home	15	3.00	0	0.00
Speaks a LOTE at home	38	7.60	0	0.00
Other				
Speaks English at home	24	4.80	0	0.00
Speaks a LOTE at home	22	4.40	0	0.00
Total	500	100.00	500	100.00

Note: Significant Adj.Res. within the table are *italicised*

LOTE Language other than English

Table 5B Leadership style induced by ethnicity

	F	df	Sig.	Means											
				Anglo Saxon		European		East Asian		South Asian		Other heritage			
				English	LOTE	English	LOTE	English	LOTE	English	LOTE	English	LOTE		
CR	6.132	8	<b>0.000</b>	2.992	2.866	2.800	2.908	2.695	3.083	2.875	3.010	2.989			
MBE-P	7.303	8	<b>0.000</b>	1.217	1.203	1.081	1.658	1.590	1.717	1.454	1.104	1.182			
MBE-A	2.332	8	<b>0.018</b>	2.281	2.123	2.194	2.325	2.125	2.450	2.382	2.458	2.420			
LF	9.065	8	<b>0.000</b>	0.948	0.920	1.025	1.133	1.424	1.400	0.934	1.125	1.080			
II-A	9.993	8	<b>0.000</b>	2.822	2.804	2.550	3.000	2.471	2.717	2.822	2.729	2.909			
II-B	5.145	8	<b>0.000</b>	2.883	2.768	2.756	2.917	2.604	2.833	2.724	2.792	3.000			
IM	5.728	8	<b>0.000</b>	3.041	2.993	2.856	2.883	2.751	2.783	2.855	3.042	3.011			
IS	5.218	8	<b>0.000</b>	2.913	2.822	2.669	2.917	2.640	2.700	2.612	2.917	2.920			
IC	19.586	8	<b>0.000</b>	3.002	2.975	2.731	2.917	2.448	2.917	2.533	3.000	2.898			

Note: Significant ANOVAs within the table are **bolded**

LOTE Language other than English, CR Contingent Reward, IC Individualised Consideration, II-A/II-B Idealised Influence (attributed or behaviour), IM Inspirational Motivation, IS Intellectual Stimulation, LF Laissez Faire Leadership, MBE-A/MBE-P Management by Exception (active or passive)

Table 5B, with China displaying only marginally lower results in Contingent Reward and the five transformational items.

The literature review identified that transformational leadership was a Western construct. The results in this section do not support that view. Rather, it would appear, as the results in Table 5B suggest, that the Chinese are able to embrace transformational leadership, however, in a more moderated way than their Australian counterparts.

## Key Findings

- Leadership is dynamic. Age appears to affect leaders' leadership style and the level of transformational leadership displayed appears to be more malleable when the leader has greater life experience.
- Education appears to affect leaders' leadership style in that more educated leaders use transformational styles while the less educated prefer to exhibit transactional styles.
- Ethnicity appears to affect leaders' leadership style in that the results confirmed that transformational leadership was not the preserve of western leaders. More transformational behaviour emerged when English was spoken at home.
- Contingent Reward as a leadership style was viewed positively rather than negatively in both Australia and China.
- There were more similarities than differences between men and women. Australian males and females were closely aligned and Chinese women reported similar scores for transformational leadership. Chinese males were more reserved in exhibiting their transformational behaviour in preference to transactional substyles.

## Discussion and Implications

In response to the principal research question addressed in this study, both Australian and Chinese managers use both transformational and transactional leadership styles, but Australians prefer transformational leadership more so than their Chinese counterparts. In particular, Contingent Reward, a leadership style associated with transactional leadership, was viewed positively in both Australia and China. This seems to fit with the rapid turnover in the industry: people are employed, do their job, are rewarded and move on. In contrast, a commitment to transformational leadership would suggest that people were

thinking of future aspirations and achievements. Looking beyond immediate self-interest, they would be more likely to invest efforts to achieve future rewards not only for themselves but for their employing organisation.

Age, education, sex and ethnicity were all related to leadership style. Persons who were older and with higher levels of education were more likely to use transformational leadership and those who were younger (20–30) preferred transactional leadership styles. The less educated were more likely to use Laissez Faire Leadership, perhaps an indicator of lack of training. There was little difference due to sex between the participants and, indeed, more differences between males than between males and females.

## Conclusion

The major contribution of this study is that it addresses a gap in the literature. Previous studies that have used the MLQ in the hospitality industry have failed to address how socio-demographic characteristics may affect leadership style. For example, the work of Hinkin and Tracey (1994) and Tracey and Hinkin (1994, 1996) used hospitality as a sample of convenience to better understand the validity of the instrument, while Erkutlu (2008) used age and education as a predictor for non-leadership variables.

The gap is a lack of an explicit examination of the relationships between socio-demographic variables and leadership style as it applied to the hospitality industry. This study addressed the gap in current leadership research by determining whether the hospitality industry can benefit from increasing the diversity of its leadership.

In particular, this chapter reports the relationship between sex, education and age and leaders' leadership style. It replicates previous research conducted in various industries, government agencies and educational institutions in the USA by Barbuto et al. (2007).

The main limitation of this study is both its strength and weakness. The most researched model of leadership is the full-range leadership model. Transformational leadership has been criticised because it is often interpreted as a continuum of 'either/or' factors.

The results showed that the older leaders were and the higher their level of formal education the more likely they were predisposed to engaging in Contingent Reward – a transactional leadership style. This meant that as leaders they were more likely to provide positive psychological reinforcement to their subordinates for work undertaken and goals satisfactorily achieved. These results are consistent with Tracey and Hinkin (1994).

The adoption of Contingent Reward as highlighted in the results also appeared to align with the central thesis of Vandenberg's (2010) article in that it allowed females to be more masculine while remaining true to themselves. Contingent Reward may have been used to assert authority through clear or forceful persuasive instructions to followers in a diplomatic manner rather than the alternative male approach of 'this is how it's going to be' as highlighted by Whitelaw and Morda (2004).

When these transactional, Contingent Reward results are interpreted with the level of reported adoption of transformational leadership styles, it would appear that Australian and Chinese leaders are using leadership in an interoperable manner, which is consistent with the general leadership theory (Avolio & Bass, 1994; Bass & Riggio, 2006).

Given the transactional nature of the industry, it is reassuring that modern hospitality leaders appear to be realising that leadership style is not static, and that a 'one-size-fits-all' approach may not be suitable. Leadership is fluid and needs to be moderated and adapted to suit their workplace and their followers.

An ethical question that remains unanswered is whether transformational leaders merely manipulate their followers' visions and aspirations towards their own objectives or vision and for their own gain. Another criticism is that leadership may be a personality 'trait' rather than a leadership style that can be taught and learned. Despite its weaknesses, the full-range leadership model appears to be a widely used and valuable approach that will remain the subject of further research for some time to come.

Grow (2014) argued that in order to implement leadership effectively, regardless of culture or organisation, the selected theory needs to be simple, skills easily learnt and the outcomes replicable. Not only hospitality but service industries in Asia (and Australia) would strongly benefit from a greater understanding of leadership and its training. The unique approach of four transformational factors and Contingent Reward may prove to be a success within hospitality and is worthy of further investigation.

## Recommendations for Further Research

- Replicate the study in a country similar to Australia with a developed economy, similar cultural background and established hospitality industry: Canada, for example. Research of this nature would assist in identifying whether the results suggest that Australians practice a unique style of leadership compared to the Chinese or if there are transferrable traits that

are noticeable because of shared language, culture economic development and so on.

- Differences between males and females in terms of their transformational leadership tendencies were masked due to ethnicity in this study. Future studies might consider analysing the sample by location in order to identify if there are more similarities than differences between the sexes.
- Future studies might consider analysing the role of leaders' organisational rank and family background to see if these have an effect on leadership styles.

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# Globally Responsible Leadership: When East Meets West

## An Investigation of Challenges and Drivers of Successful Implementation of CSR in Five Companies

Alessia D'Amato and Hong T. M. Bui

### Introduction

The practising of globally responsible leadership compels business organizations to pay more attention to the impact their operations have on the environment and the ecosystem (Voegtlin, Patzer, & Scherer, 2012) as companies are considered social enterprises and therefore responsible to society at large (Amaladoss & Manohar, 2013). In this context, a systematic view is needed to address the diverse economic, social and environmental questions involved with running an organization. Unfortunately, not much is understood about how leaders and organizations deal with the expanded and integrated principles of sustainability globally, particularly in developing countries where research on and implementation of corporate social responsibility (CSR) is still relatively underdeveloped, tending to be somewhat ad hoc and relying on convenience-based case studies (cf. Amaladoss & Manohar, 2013).

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The majority of research on responsible leadership and the implementation of sustainability has been undertaken in the Western world. The focus is on identifying individual leader competencies required to lead organizations in their change efforts towards global responsibility (Basu & Palazzo, 2008; Elkington, 2001; Ferdig, 2007; Fry & Slocum, 2008; Lockett, Moon, & Visser, 2006; McGraw, 2005; Roome, 1994; Waddock, 2007). While these competencies are, without doubt, useful contributors to leadership for global responsibility, the approach to leadership competencies can be criticized on at least two fronts. The first is methodological. Much of the current research on CSR leadership competencies is based on asking what managers or HR professionals believe are important CSR leadership skills and abilities, rather than focusing on what individuals or organizations actually do when they are successful in developing and executing CSR strategy. Secondly, current literature can also be criticized as leading to a limited view of leadership – that is, one residing entirely within the individual leader (Carroll, Levy, & Richmond, 2008; D'Amato & Roome, 2009; Meindl, 1995). Organizational leadership – which is required for organization-level change processes – exceeds the boundaries of individual leadership in that it is a socially constructed process with a temporal and causal logic (Hosking, 2006). A system of inter-relating individuals, rather than an individual leader, is often a powerful and effective source of leadership (Osborn et al., 2002). This view of leadership has three main implications. (1) People involved in leadership are not only those with formal leadership responsibilities (Meindl, 1995). (2) This means that leadership is a multilevel phenomenon comprising individuals, groups and organizations (Pearce & Sims, 2000). (3) The study of individual competencies for leadership is less important than the study of actual leadership practices, that is, how leadership is enacted among the members of a collective (McCauley et al., 2008; Pearce, Wassenaar, & Manz, 2014).

Another criticism is that what is valid in Western societies does not necessarily apply to different contexts or cultures (cf. Gjølborg, 2009; Guest & Zijlstra, 2012). Therefore, this empirical study based on five global companies provides evidence about the practices, policies, strategies and systems of companies recognized for their sustainability efforts. The study investigated how leaders in those companies developed their *ethical* perspectives and what challenges they faced on the journey to sustainability. From the findings of this comprehensive study with Eastern and Western corporations, we developed a global framework for responsible leadership practices.

## Literature Review

The critical role of leadership in an organization's shift from a single, profit-based bottom line towards a triple bottom line (TBL) that includes financial, ecological and social criteria is undisputed (Elkington, 2001; Googins, Mirvis, & Rochlin, 2007; Shrivastava, 1995; Swanson, 1995). A traditional business focus impedes the journey towards sustainability (Shrivastava, 1995; Swanson, 1995) and is grossly inadequate to achieve the necessary change for global responsibility (Laszlo, 2008). This shifts the focus from a conceptual definition of leadership for CSR – 'what is' – to 'who' is responsible and 'how' organizations achieve globally responsible leadership (e.g. Palanski, Avey, & Jiraporn, 2014; Vidaver-Cohen & Brønn, 2013) and companies' competitive advantage (Filatotchev & Stahl, 2015; Vlachos, Panagopoulos, & Rapp, 2014). This is now particularly relevant in Asia as well as in developing countries, where research on responsible leadership appears to show its potential from various angles (Choi, Ullah, & Kwak, 2015; Nwagbara & Kamara, 2015; Zhu, Sun, & Leung, 2014). Thus, it is now of high theoretical and practical importance to examine the ways in which global responsibility is achieved in Asian multinationals and how this compares to their Western counterparts as corporations also gain legitimacy via their CSR policies and practices (Beddewela & Fairbrass, 2015).

In general, the concept of globally responsible leadership is an emerging one that overlaps studies in ethics, leadership and CSR (De Hoog & Den Hartog, 2008; Maak, 2007; Maak & Pless, 2006a; Waldman & Gavin, 2008; Waldman & Siegel, 2008). Maak and Pless (2006a; 2006b) identify the foundation of the concept of responsible leadership in a stakeholder society and highlight social-relational and ethical dimensions. Responsible leadership is the 'art of building and sustaining good relationships to all relevant stakeholders' (Maak & Pless, 2006a, p. 40); however, the idea of building and sustaining good relationships sometimes does not reflect goodwill actions towards sustainability. Maak and Pless (2006b) developed a role model of responsible leaders who act as citizens, stewards, servants and visionaries.

Voegtlin et al. (2012) have further developed the concept. Their conceptualization of responsible leadership draws on deliberative practices and discursive conflict resolution, a combination of a macro-view of the business as a political actor and a micro-view of leadership. The concept of responsible leadership tries to answer the question of 'who is responsible for what and toward whom in an interconnected business world' (Voegtlin et al., 2012, p. 2). Therefore, responsible leadership can be understood as leaders who are

responsible for sustainability towards their firms and society in an interconnected business world.

Maak and Pless's (2006a; 2006b) major contribution was to develop a role model of responsible leadership, while Voegtlin et al. (2012) offered a philosophical foundation and theoretical background for responsible leadership (e.g. how responsible leaders can address the challenges of globalization and the outcomes of responsible leadership). However, the questions of what are the catalysts and drivers of sustainability and what are the components of responsible leadership remain largely unanswered in the emerging literature of responsible leadership. These questions are important because they help managers and leaders understand what drives them towards sustainability and what they can do to become responsible leaders. Therefore, this study focuses on finding answers to relevant – yet still unaddressed – questions.

## Research Methodology

Data were collected from five global companies in different industry sectors (e.g. pharmaceutical, materials, shipping, postal service, dairy products). Four out of five companies had facilities in four continents, and the last one in one continent but with associates all over the world. Four of these five companies were headquartered in Europe and one in Asia. Fifty-four semi-structured in-depth interviews of approximately one hour in length with executives responsible for implementing sustainability and other managers responsible for implementing organizational strategy were conducted across the five companies, and two to three focus groups in each of the participating company.

The intent behind the one-on-one in-depth interviews was to identify how leaders perceived sustainability and how they developed and/or implemented strategies, practices and policies addressing sustainability. This also helped the research team to identify the developmental experiences of these leaders.

Focus group participants varied widely in their professional background; the purpose of the diversity was to represent a comprehensive picture of the company's functional and professional areas and organizational levels. This usually turns into a wider variety of attitudes, experiences and engagement with stakeholders. Focus groups were designed to represent the viewpoints of a cross section of employees, both in level and in function. The general intent behind the study was to determine the organizational commitment and practices adopted to achieve full and successful execution of a TBL strategy at both the individual contributor and middle management levels of the organization.

A further objective was to solicit employees' suggestions for relevant practices deemed to enhance organizational commitment or efforts in these areas.

Data were coded manually to investigate four central questions:

1. What is the organizational-level shared definition of CSR or sustainability?
2. How have leaders developed their sustainability perspectives? (e.g. catalysts and drivers)
3. What challenges do leaders face in using a sustainability framework to move towards higher levels of social and environmental responsibility?
4. What practices have been adopted by leaders pursuing sustainability? In other words, what organizational systems and strategies have been implemented to foster sustainable and responsible growth?

In cross-case analysis, the goal is to reach generalizability of the data (Miles & Huberman, 1994). Further, the process of creating theory from cases puts reflective awareness and consistency as to the criteria of high relevance (Howe & Eisenhardt, 1990; Eisenhardt & Graebner 2007), and in this study where the data analysis and interpretation was meant for creating an overall model.

## Findings

Our most important finding is that there is no clear differentiation in responsible leadership among these five global companies. This means their understanding was very similar, regardless of whether they are headquartered in the East or the West. All the participating companies – and their representatives – show attention and concrete effort towards sustainability. This might be a first confirmation of the effect of the globalization process. 'Local' practices can be requested – and should be considered in the implementation process – but the presence of companies' directions that go above and beyond the interest of a single branch or country is undisputable. In the next section, the most relevant results – for example, the major findings relating to the four research questions – are reported and discussed.

## Understanding and Definition of Sustainability

What stands out in our findings is the clarity and sophistication of the understanding of sustainability. Not surprisingly, in the majority of the corporations surveyed, the activities focusing on social and environmental concerns had

started long before the concepts of sustainability and CSR became popular. They only realized the connection once these terms entered the practice. In other words, their journey towards sustainability started with practical actions and was influenced by theoretical and conceptual sense-making at a later stage.

In the participating organizations, CSR is often described as an umbrella concept that organizes much current activity. Furthermore, it is a tool for both the development of strategy and for facilitating internal and external communication. Notwithstanding conceptual and practical differences, in all companies, the managers' understanding reflected the common themes of caring for the environment and a wide range of stakeholders, enhancing the quality of life both locally and globally through improved working conditions, and the need to pay attention to social problems. Overall, CSR and sustainability represent long-term processes, rather than goals to be achieved. As such, their impact on everyday decisions is apparent and everybody supports that achievement effort can – and should – be made.

Managers in the Asian-based company and in one of the four European-based companies also tended to use the UN World Commission on Environment and Development definition of sustainable development as development that 'meets the needs of the present without compromising the ability of future generations to meet their own needs' (Brundtland, 1987). Many managers had spent significant time reflecting on the complexity inherent in really working to integrate environmental, social and financial goals.

Overall, senior executives used a number of terms to describe sustainability, such as social responsibility, corporate responsibility, corporate citizenship, corporate stewardship, community relations or even the 'triple bottom line'. They were aware of the TBL concept developed by Elkington (1998) to depict the relationships among financial, social and environmental factors in sustainability strategy. One even interpreted the TBL concept as 3P (people-planet-profit). Below is an example of how executives interpret sustainability:

I think sustainability as a concept is very powerful, both at the individual level as well as at the organizational level. I think at the individual level, it somewhat brings things into balance, into a perspective that can really achieve without having to pay a price for it from the future generations. So, as a concept that you can really create value or create wealth without taking seeming away from the future generations, as well as making the activity inherently sustainable.

This shows a deep understanding of sustainability among corporate executives that provide clear descriptions also by means of metaphors. Metaphors

are also used to better describe the concept, such as the tale of the seven blind men touching an elephant (cf. Mintzberg, Ahlstrand, & Lampel, 2008). As one participant said:

When you start analyzing all these ingredients, it becomes a very challenging task, because it is when we ask what is needed, what we consider as a need that has some social and economic packages, you know...

This further explains the need to understand and to compare different compelling definitions. The participating corporations differentiate social marketing from 'pure' CSR activities. For example, if an activity could be attributed back to the brand of the company, that was considered as social marketing, whereas if the activity was solely aligned with the cause of goodwill, then that would be a genuine CSR initiative. The second differentiator is whether the activity is sustainable or not. These thoughtful considerations emerged across interviews, regardless of the company's headquarter location (East or West) or the specific branch.

## Catalysts and Drivers

From the results of our study, the catalysts and drivers for sustainability are slightly different in Western and Eastern companies. Although the difference is quite subtle, it is remarkable how in the West the main catalysts and drivers for sustainability are coming from education while in the East the main catalyst and driver for sustainability among managers and top managers is mainly their life experience. Since we only had one company headquartered in Asia, this might also depend on the company's culture. [Figure 1](#) illustrates the catalysts and the drivers for sustainability that emerged in our study.

Among the main drivers of sustainability are poverty, scarce resources, the influence of important political figures or the national culture. Many executives, who grew up in poor and underprivileged families, reminded themselves daily of the need to help where they could to enhance the living conditions of the poor. Many were ever conscientious of scarce resources. One typical remark was as follows:

We've always, during growing up times, and although more and more people are now in middle class families, noticed that things like electricity and water are not always available. Sometimes, you only have a few hours of electricity, or a few hours of water per day. So these are kinds of things that inspire you, and you are mindful of the nature of resources, and how you want to spend them.



**Fig. 1** Catalysts and drivers for sustainability

The influence of important political figures can also be substantial. An executive indicated how he had been inspired to care about sustainability in a subtle but powerful manner:

She [Indira Gandhi – former Indian Prime Minister] added [to the environment] a new dimension. She made a statement that the polluter – poverty – is the biggest polluter. And then this dimension has come to the forefront. It was not there yet but she has given voice to that. She said that poverty is the biggest polluter.

In general, participants in this study seem to have a strong social conscience. This resulted from their education, and work and life experiences including community engagement and learning. Experiencing underprivileged positions seems to push their spirit and commitment to social and environmental issues more strongly.

A further relevant driver among the managers we interviewed, both from Eastern- and Western-based corporations, was having experienced international assignments. This developmental opportunity seemed to provide people a chance to see, on the one hand, some areas where environmental conditions are much worse compared to where the headquarters were located; on the other hand, it gave them the chance to see how social and environmental issues are dealt with in other parts of the world (e.g. other

cultures, other organizations). International assignments were particularly powerful when involving developing countries. For one company, the corporation's experiences in Central Africa and South Africa triggered a value shift in people's minds and hearts.

Western managers were more likely to refer to activities encountered or undertaken at university, for example, being part of student organizations that did community development work, or learning the importance and impact of that kind of work in school. Speeches by notable public figures would also make a difference.

Overall, we also found many participants connecting sustainability and CSR with the core philosophy of their company – and among the most frequently mentioned organizational catalysts was the current CEO or regional MD.

I think that what is also important is that we have now a GM who is very much aware and conscious of and keen on social responsibility. I would say this is, from one side you can say this is a group policy and a group culture (...) But then, depending on the persons you have locally, it is becoming just important, more important, or vitally important. I would say that the management now in (country), especially the GM, and especially (name), they make this topic vitally important.

The passionate and charismatic engagement in this direction of the top management was inspirational to others in the companies, across hierarchical levels and divisional boundaries.

## Challenges in Implementing Sustainable Development

A core interest in this study was to gain knowledge and understanding about the challenges organizations and leaders face with respect to embedding a sustainability framework in their operations, as well as the leadership practices enabling success when facing those challenges. Not surprisingly, we found a high convergence between these two areas when we looked for themes in our data. Regardless of the need, sustainability is not easy to achieve or maintain. Companies have been facing a variety of challenges, both short term and long term, in sustaining the emphasis on CSR and maintaining sustainability efforts further. One of the outstanding challenges is to change long-standing employee mindsets and practices. A typical remark was:

The problem is that people have been used to a certain way of working for about 20 years now, and trying to make them see, to make their mind sets

change takes some time...It's more of a training application; getting them to change and to use better skills, better equipment, better ways of doing things, has been something of a challenge.

The study shows that more patience, effort and motivation for CRS is needed. Below is another example:

The biggest challenge is to sustain the efforts that are going on because, most of the time, what happens is that everyone starts with a big bang, you know, but they get so much into their daily routine, and they get so bogged down with day-to-day crises that somewhere the thing fizzles out.

In general, there are a number of other challenges, such as managing contradictions when financial performance dips, effectively communicating the high degree of alignment of the vision and purpose of the organization with the goals of sustainability, measuring social impact or becoming green industries. However, executive-participants in this study seemed optimistic about such challenges:

The challenge is when business is not doing well. People tend to blame the wrong things, and do not want to persist (in CSR). Business has its cycles and sometimes you do extraordinarily well, sometimes you go through a dip, but it is important to keep the faith when there are challenges in terms of profitability.

Overall, the implementation of CSR and the alignment of social and environmental values with everyday business were considered challenging by all participants. Major challenges in this were the persistence in efforts to implement CSR despite setbacks and slow success.

To maintain a constant development. Sustainability is never done, you cannot say we are a CSR company but you also need to keep doing,

Or

It's not only the company that should act. It's also the people who are inside the company who should believe in those actions, also in their life.

The second biggest challenge of CSR implementation was communication, mentioned by almost everybody. For internal communication, adapting one's communication about CSR-related work to 'speak the language' of the employees was cited as the biggest challenge.

First you have to talk their language. So you don't talk sustainability, you don't talk GRI [globally responsible initiative], you don't talk whatever because they don't know whatever it is – and they don't care. But you just have to go 'okay this is a project. We want to reduce the losses from our factory'.... The finance people, the sales people, the logistics people. All the tough business departments. And those guys actually were fascinated by the fact that you could have this very professional, very consistent project with a not very business-like goal.

Or

The communication is tough because you have to communicate the social responsibility differently to employees, to factory employees, to different offices, managers and specialties; around specialties and different again in sales, to make people believe in the programme (...) and really activate them to be a part of the programme.

Communication is about knowing the words that make sense for your target audience.

To speak people's language. If they don't get it the first time, probably it means that this is rather complicated and you are not speaking their language.

Despite these efforts, participants noted that not all employees are convinced yet that their company is taking CSR seriously. This scepticism might stem from a general societal wariness against multinationals in some parts of the world, mainly in the Western cultures. Thus, it is still a challenge for companies in their external communication to dissociate from the general picture of multinationals. Many participants felt that, through their honest brand communication and sustained effort in relevant sustainable programmes or CSR-related activities, the companies have achieved this. A further challenge that requires more attention and focus in the future is the external environment (i.e. legislation at times stands in the way of socially responsible activities).

## **Leadership Practices That Work**

From the results of our study, we could suggest that leadership practices can work in two ways: (1) what leaders do – leader actions and behaviours; and (2) organizational systems, processes or aspects of organization culture that provide direction, create alignment or work to build commitment to CSR. Key practices of individual leaders included communicating widely about vision and how that applies in practice, setting a good example, encouraging



**Fig. 2** Framework for globally responsible leadership

and supporting middle managers in sorting out contradictions and making balanced decisions, and setting challenging goals for their areas. Organizational practices included internal competitions for CSR awards, orientation of new employees to sustainability, creating policies aligned with a TBL approach and resources being set aside for social initiatives. [Figure 2](#) illustrates the categories of practices that managers and organizations use to promote CSR and sustainability, and provides the framework for globally responsible leadership that we developed, summarizing the lessons we learnt from our international study of global companies.

In order to discuss the leadership practices, a similar framework is used for consistency.

### **Vision, Strategies and Policies**

Developing vision, strategy and policies in support of sustainability is a key element of success. First comes the vision for sustainability, which includes a link to the mission statement and the development of goals to be reached

related to sustainability. Then, organizational strategies integrate sustainability factors. These strategies are often set from the top of the organization and are, most of the time, implemented with small incremental steps towards major goals.

### **Top Management Support**

As mentioned in the ‘Catalysts and drivers’ section, the top management is often the driver of the CSR efforts. As a leadership practice, this relates to the element of top management support. Top management creates continuous visibility and awareness of CSR. ‘Walking their talk’, the top management ensures the appropriate resources (e.g. time, money, people and emotional drivers) are available for the CSR efforts.

### **Operationalizing CSR**

This means incorporating some sort of sustainability practice into the products or the services offered (e.g. with ‘major projects’ or a major element of the strategy, local specification of the efforts – or efforts that make sense in the particular geography and the specific language; the integration in specific roles or positions). This effort enables employees at all levels of the organization to ‘make sense’ of the organization’s focus on sustainability.

### **Performance Development and Accountability**

At the organizational level, audits, formal measures, certifications and reporting are in place and active. We also found the impact of formal CSR/sustainability positions established to integrate CSR into all aspects of operations. Goals, standards and norms of sustainability were established at the individual and organizational levels, including in some cases elements of CSR/sustainability in the employees’ performance development plans.

### **Communication**

We already discussed communication as a major contributor to CSR and its double focus – *internal* and *external*. Another factor is whether it (communication) is just top-down or also bottom-up. The content of

the communication frames the concepts and goals of sustainability/CSR, establishes awareness of the concepts and the organization's efforts, and is translated for global impact.

### **Employee Empowerment and Development**

In each of the participating companies, attention to the development and involvement of the employees was a concerted effort. Mentoring, coaching and training activities contributed to the sustainability efforts. Concepts of sustainability/CSR are included in the on-boarding processes as well. In addition to the formal and informal development, employees were in some cases asked to contribute ideas for projects on CSR and given the authority to make decisions in line with the company's efforts in implementing CSR. This promoted a sense of empowerment throughout the executive ranks.

### **Engaging across Boundaries**

As the concept of sustainability requires an organization to focus on impacts on different stakeholders, we found this to be one of the most relevant practices. Externally, this would include partnerships and regular engagement with external stakeholders. Internally, this would mean teamwork, cross-functional efforts and climate surveys for engagement.

### **Ethical Actions**

Another category focuses on ethical actions of leadership. This practice includes decision-making and acting with integrity, as we often found that organizations were using participative processes in decision-making. In addition to participative processes, the contributing corporations reported using some sort of TBL criteria (people, planet and profit) for many operational decisions. In addition to the decision processes, ethical actions include the individual leader's capacity to lead by example, demonstrated by 'walking the talk' both in personal and professional actions. Many examples were provided as leaders exhibit sustainability behaviours at work or in private. The organization is considered ethical through the actions of open books, transparency in reporting, organizational consistency and honesty.

## Discussion and Implications

Corporations do not operate in a vacuum, and there is a constant interaction between institutional pressures and firm-level CSR activities (Beddewela & Fairbrass, 2015). The implementation of sustainability or CSR policies and practices is an emerging trend in the global marketplace. As consumers demand more accountability from industries, and worldwide concern about global warming and resources' exploitation increases (Senge et al., 2010), it is an absolute imperative for companies to adjust their practices to include a focus on CSR. In addition, what was considered less than a decade ago an emerging trend is now increasingly a consolidated practice and is very likely, at some stage, to become a legal requirement.

The corporations we surveyed in our study have poised themselves to become leaders in the area of CSR. This was apparent in their strategic and innovative leadership practices for CSR/sustainability. Overall, these multi-nationals consciously implement the concept of CSR, and the value-based leadership of the top management – or other company representatives – supports the actions. In addition, a big catalyst for the implementation of specific CSR goals and coherent practices throughout the organization was, in those companies headquartered in Europe, the establishing of dedicated organizational functions/positions whose representatives are located on director level. This assures the support and reinforcement of CSR initiatives at the same level of other organizational goals and strategic objectives. It is a clear signal that the organization 'walks its talk' by empowering the CSR management at the same level of other organizational functions.

Our results show that those in upper management – but also managers across the ranks – have a broad and deep understanding of the significance of the implementation of the TBL. This also depends on hands-on experiences that occurred within or outside the workplace. As the developmental potential of international programmes has been clearly demonstrated (Pless, Maak, & Stahl, 2011), corporations should favour and recognize this naturally occurring learning by making available dedicated responsible leadership development opportunities.

Nevertheless, CSR as a general business practice is, most of the time, still in the process of being more fully integrated throughout the company and across the three domains captured in the TBL framework. While there is clear evidence that upper management understands CSR both from cultural and social aspects, there is still the need to enact fully integrated practices throughout the organization. Another expectation is that the organization

becomes more proactive than reactive to the needs and implementation of sustainable behaviour and sustainable organizational strategies. This is in line with the general call from society to transcend the neo-economic instrumentalism (Scherer & Palazzo, 2011) for a turning point in business and the call for responsible leadership.

Conceptually, responsible leadership is described as an emerging concept at the intersection between ethics and leadership (Ciulla, 2005; Waldman & Siegel, 2008). But although there is not yet full consensus on the antecedent or the outcomes, on the other hand, theorists mostly agree that responsible leadership requires a focus on leadership ethics and a more comprehensive engagement with the full range of stakeholders affected by business in order to develop more socially responsible leadership behaviours (Waldman, 2011).

The stakeholders' dimension was fully apparent in the results of our study, and contrasting the shareholder orientation of business leaders with a broader stakeholder perspective (cf. Doh & Quigley, 2014; Waldman & Galvin, 2008; Freeman, 1984).

This naturally emerging framework and the consolidated practices have a strong resemblance with the previously mentioned Maak and Pless' (2006a; 2006b) model, probably in the stream of research on the construct of responsible leadership one of the most representative conceptualizations. Their model of qualitative roles of responsible leaders (e.g. citizens, stewards, servants and visionaries) is reflected clearly in the words of the participants in our study. Responsible leaders, whether we talk about individuals, groups (e.g. top management) or companies at large, are like weavers whose strength is in the ties that bind stakeholders together (Maak & Pless, 2006). This also means that they will lead from the centre, focusing on relationship building rather than power development. Our participants put on the forefront of their narrative how sustainable practices are enacted in their companies. Also, the more operational roles of architect, change agent, coach and storyteller (cf. Maak & Pless, 2006a; 2006b) are permeating the representation of how sustainability is promoted in the focal corporation.

At the foundation of the framework resulting from our study, and closely matching the current state of the art of the research on responsible leadership, is that responsible leadership fulfils a multitude of integrated roles and becoming a coordinator provides benefits not just for the focal organization but for each of the stakeholders involved.

As organizations devote more time and effort towards the challenge of becoming increasingly sustainable, the leadership should finally consider assuming a strong position on simple actions:

- Significant buy-in on the part of the upper and middle management to fully share the principles and implementation of responsible practices.
- A change-friendly organizational culture that embraces more integrated business practices (e.g. flexibility to accept and implement new business models with reference to the specific objectives).
- A shared or distributed leadership within the organization which provides the opportunity to implement a business model that relates to responsible leadership.
- A mission statement that strikes a balance between the local and global opportunities and challenges.
- Promoting a higher level of awareness and commitment to CSR on all levels; also strengthens direct communication to employees and ensures ongoing support of and cooperation with suppliers, customers, consumers and the local community.

This can be further summarized as moving beyond a focus on individual- and school-level changes to collective leadership to foster and sustain change and development (Stone-Johnson, 2014).

## Limitations and Future Research

With our study, we contributed to the field of globally responsible leadership with two key frameworks on catalysts and drivers of sustainability and on components of globally responsible leadership practices. As is the case with any research, our study is not perfect, and we can highlight certain limitations.

First, our study of leadership practices is exploratory and qualitative in nature, and thus is subject to the usual criticisms against theory-building research. Nevertheless, the procedures applied in each step of identifying subjects, conducting and coding the interviews, creating alignment between different coders, and making sense of the data suggest that the findings and our interpretation are addressed on an inter-subjective basis. The respect of methodological fit among the elements of the research project (e.g. research questions, prior work, research design and theoretical contribution; Edmondson & McManus, 2007) guarantees generalization.

Second, the selection of the sample could be seen as another limitation in this study (Kalnins, 2007). We might have missed relevant intra-organizational linkages or interdependencies among the outcomes. Nevertheless, our interest was in understanding the complexity of leadership for global responsibility that

make successful the move towards globally responsible businesses in both Eastern and Western cultures, and comparing leadership practices across organizations. From the basis that this study has created, further studies should shed light on the overall framework and its components – comparing organizations as well as measuring success and failures.

Future studies will further address the resulting framework and further empirical investigations across Asia and the Western world. Similarly, in order to understand the temporal development of leadership cultures for global responsibility, the evolution of leadership practices over time needs to be examined. This can be achieved by collaborative research with firms that have declared the intent to become more globally responsible, yet are only beginning their journey in this area. An analytical tool was prepared out of this theoretical framework, the Globally Responsible Leadership Assessment: a first empirical pilot study has already confirmed its validity, also in statistical terms. Further studies should confirm the cross-cultural validity.

## Conclusions

Our study has made several significant theoretical and managerial contributions. First of all, we have depicted the main *catalysts of* and *drivers for sustainability* within global companies. The framework of these catalysts and drivers will act as a foundation for other scholars in the area of sustainability to develop it further in different contexts like small- and medium-sized enterprises, or in national contexts.

Second, the framework of *globally responsible leadership* promises to open new research venues (Alvesson & Sandberg, 2013) for researchers in the area of leadership and sustainability. This framework, developed from empirical data, provides all necessary tools for scholars to measure a responsible leader from a global perspective, which is currently missing in the literature. Compared to the conceptual framework of globally responsible leadership developed by Voegtlin et al. (2012), this framework is very different albeit somewhat complementary. Voegtlin et al. (2012) addressed the outcomes of globally responsible leadership; our framework instead focuses on the components and the process that leads individuals and corporations throughout the sustainability journey. From the results of our study, analysing catalysts and drivers for CSR is also in line with the role model of responsible leadership conception previously discussed (cf. Maak & Pless, 2006a; 2006b) and the consideration of stakeholders.

The leadership framework that emerged from our study clearly evolves as relationships with different stakeholders unfold; furthermore, it is rooted in the corporations' vision and mission, the first and most visible evidence of companies' values and shared beliefs.

At the outset, this study intended to address four relevant research questions. Furthermore, the authors intended to address the question of whether the underpinning logic and rationale of responsible leadership are culturally based or whether these are shared across multinationals.

The leadership practices identified and discussed in this chapter make a relevant contribution to the field of responsible leadership. What is particularly innovative is that these practices are the assets of companies successful in embedding CSR/sustainability in their core mission, vision and business models. And yet, they are not only applicable in the corporations surveyed, but offer both theoretical conceptualization and practical guidance to corporations that are either confronting the challenges of sustainable development or are setting off on the journey to responsible leadership.

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# Tropical Forestry Services: A Case Study of Embracing Entrepreneurial Leadership in Charting East-West Markets for Ancient Indian Sandalwood

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*To be sustainable from soil to oil to shelf.*

## Introduction

Entrepreneurial behavior fosters innovation and adaptation to turbulent environments (Renko et al., 2015), making entrepreneurial leadership essential for coping with uncertainty (Kansikas et al., 2012). Entrepreneurial leadership is the ability of a leader to influence members of an organization to strategically manage the firms' resources, targeting opportunity-seeking

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and advantage-seeking behaviors within an organization (Ireland, Hitt, & Sirmon, 2003). The entrepreneurial pursuit of spotting the opportunity window based on the supply-demand imbalance of the Indian sandalwood market, and exploiting it with sustainable competitive bases of rare, inimitable and valuable resource combinations by the Tropical Forestry Services Corporation Limited (TFS), exemplifies the strategic entrepreneurial journey of an entrepreneurial leader. TFS has conceived and validated its core strategic approach and business model – *from soil to oil to shelf* – by setting a vision-driven innovation-led organizational culture; building and maximizing the potential of the team at TFS through continuous improvements; executing the business model through vertically integrated supply chain to create, deliver, and capture value; and being agile to the changes in the market (Freeman, 2014). For TFS, concentration on opportunity identification and exploiting them through innovative approaches has been the key behavioral aspect of its entrepreneurial leadership. This demonstrates that entrepreneurial leaders are the drivers of strategic entrepreneurship by firms (Kansikas et al., 2012). The following section elucidates the role of entrepreneurial leadership at TFS in facilitating the capability development for continuous value creation by the firm as the world's largest Indian sandalwood producer.

## Role of Entrepreneurial Leadership at TFS

Until the 1970s, Indian sandalwood trees were harvested without regulation in India – where the trees grow natively. During the period between 1950 and 1970, over 480,000 sandalwood trees were harvested annually in the state of Karnataka alone, making India the largest producer of Indian sandalwood. Yet, in 1974 the Indian government found that only 350,000 trees remained (Rashkow, 2014). As a result, the Indian government has progressively restricted the legal harvest and subsequent trade of sandalwood as a measure of preventing the trees from becoming extinct. This later resulted in an export ban of Indian sandalwood from Indian shores. This brought India's sandalwood industry to an interesting Crossroad. The government supply restriction spawned a black market in the light of government-imposed harvest restrictions and export ban –resulting in a significant problem for the international sandalwood industry as it meant the sudden restriction in supply would not be able to meet increasing global demand for sandalwood into the future.

When TFS co-founder Frank Wilson first learnt about Indian sandalwood in the 1990s, he saw the potential in planting and cultivating the trees despite their 15-year growth period. His entrepreneurial instincts told him that here

was a product that was unique, in short supply, and with the prospect of high demand for many years to come. An investment with these dynamics is obviously favorable, and as such, an Indian sandalwood-based investment was likely to yield strong profits in the long term. Trusting his instincts, Wilson decided to invest in Indian sandalwood and started TFS in 1997. He began by sourcing the Indian sandalwood seeds from India and, with the help of forestry experts from Australia and India, soon had the first plantation underway. Around this time the supplies of naturally occurring Indian sandalwood in the forests of India were starting to reduce dramatically, causing the Indian government to declare Indian sandalwood to be a protected species. This vastly reduced the legal harvests of the trees and ultimately led to a ban on the export of Indian sandalwood products, including the oil and seeds. Frank Wilson's proactive planning and timely actions had enabled TFS to source sufficient seed supply before these export bans were imposed, and as a result, the company was able to enter the sandalwood industry and consolidate its position as an alternative source and supplier of Indian sandalwood in a country offering security and low sovereign risk. Looking at his behavior, it is clear that at the innovation and enterprise evident within the operations of TFS is based on the 'scenario enactment challenge', which comprises foreseeing and creation of opportunities with revolutionizing capacity under resource-constraint environments (Gupta, MacMillan, & Surie, 2004, p. 247).

Not only has Frank Wilson successfully overcome the scenario enactment challenge, he has addressed the 'cast enactment challenge' (Gupta, MacMillan, & Surie, 2004, p. 247) by convincing the stakeholders that the identified scenarios of opportunities were with the potential of generating revolutionizing outcomes through effective resource mobilization. TFS needed to raise enough capital to sustain its operations for the next 14–15 years, until the trees matured and were ready for harvest. Wilson and his team had to pitch to numerous domestic and international investors; convincing them that despite the long-term nature of the project, the high demand/low supply of Indian sandalwood internationally should provide favorable returns on their investments. Indeed, the biggest selling point of the Indian sandalwood investment was the uniqueness of the product, along with a diverse international market that had buyers from multiple sectors waiting for legal, sustainable high-quality and authentic Indian sandalwood to become available. Through persistent marketing, TFS raised the necessary funds to establish its first Indian sandalwood plantation in 1999 (TFS Corporation Limited, 2016b) and then consecutive annual plantations for every year thereafter. TFS had put Australia on the map as a veritable source of Indian sandalwood.

Another challenge initially faced by TFS was the plantation and development of the sandalwood trees themselves. The parasitic Indian sandalwood species is notoriously difficult to cultivate due to challenging requirements for climatic conditions, soil preparation, water supply, host tree selection, and seed selection (da Silva et al., 2016; TFS Corporation Limited, 2015). Consequently, TFS built a research and development (R&D) team of horticultural and forestry experts from both Australia and India. These experts undertook extensive research and trials to develop appropriate hosting and cultivation processes, and worked to refine the silviculture techniques through which maximum yield and survival rates could be obtained.

The essence of these dual challenges is captured in another way by Freeman and Siegfried (2015), where they mention that developing a vision, achieving optimal persistence, and executing through chaos are critical challenges faced by an entrepreneurial leader in his/her journey. The above approaches of TFS leadership in addressing the key initial challenges exhibit the five role behaviors introduced by Gupta, MacMillan, and Surie (2004) in relation to the entrepreneurial leader, including framing the challenge, absorbing uncertainty, underwriting, building commitment, and defining gravity.

## TFS Addressing Scenario Enactment Challenges

In framing the challenge, entrepreneurial leaders at TFS discovered a vision worth pursuing (Pinchot, 1994): *to be sustainable in soil to oil*. This matched with the existing resources and competencies of the firm. TFS thoughtfully framed the organizational goals within resource capacities by strategically locating the TFS plantations across northern Australia, including Kununurra and Kingston Rest in the East Kimberley region of Western Australia, the Burdekin region in Queensland, and the Douglas Daly and the Katherine regions in the Northern Territory (TFS Corporation Limited, 2016a), avoiding undue pressures to the resource pools, yet expanding the existing capabilities of the company in a positive manner (McGrath & MacMillan, 2000). These areas provide optimal growing conditions for Indian sandalwood, including fertile land with abundant irrigation and natural rainfall, subtropical climate, free draining soils, and are located outside cyclone- and flood-prone areas. TFS also secured the competitive advantage of quality seed stocks early on, as well as developing high-quality silviculture techniques through extensive intellectual property rights built through R&D.

As an entrepreneurial leader, Frank Wilson formulated this compelling vision of the future state, which would then be enacted by others in the

company. He also shouldered the burden of responsibility for being wrong about the future on this long-term investment, while building the employees' and investors' confidence in acting toward the vision realization. These actions are explained by Gupta and colleagues (2004) as 'absorbing the uncertainty' through reflection. Indeed, TFS had successfully motivated employees and investors to become personally involved in the enterprise and to take pride in this vision (Renko et al., 2015). The company did so by creating a compelling vision based on a strong competitive base in such a way that clearly demonstrates the company's purpose and highlights why potential stakeholders choose the start-up over existing alternatives (Freeman, 2014).

Over the years, these efficiency-driven operations, coupled with strong R&D processes, have gifted consumers with an unparalleled supply of pharmaceutical grade Indian sandalwood oil, global perfume firms approved oil for the fine fragrance market and thus offering global consumers a continuous supply of value-added Indian sandalwood products. Although TFS was initially in possession of a business idea that needed a minimum 17-year investment, the company built a competitive edge through its extensive intellectual property and expertise dominance of silviculture techniques, ownership of large commercial quantities of quality Indian sandalwood and control of strategically important agriculturally appropriate locations for plantations. This also ensured the uniqueness of TFS's business model and subsequently become a highly attractive investment option, which resulted in TFS going public in 2004, as well as listing on the Australian Stock Exchange to raise capital to support further growth.

The global financial crisis (GFC) of 2007–2008 had a big impact on TFS and influenced the strategic direction of the company. When the GFC hit, TFS experienced a loss in the traditional source of revenue stemming from retail investments, to the extent that the company's liquidity was significantly impacted. TFS realized that if it wanted to succeed it would have to develop new investment products and extend beyond being a plantation manager of sandalwood trees. Firstly, the company created new investment products that diversified their reliance on the retail investor and promoted investment by large multinational investment houses and sovereign wealth funds. In addition to this strategy, the company looked at other uses of sandalwood including the varied use of sandalwood oil. In doing so, TFS created a vertically integrated business model through which it could capture significant value across the entire supply chain. According to Gupta and colleagues (2004), underwriting the pursuit of vision by being attentive to changes, critically examining and negotiating with the internal and external stakeholders to make available the needed critical resources for the smooth flow of

operations of the firm is of significant importance to the long-term success of the firm. In this way, through risk-taking and initiatives, entrepreneurial leadership aims to create innovations (D'Intino et al., 2008).

## TFS Addressing the Cast Enactment Challenges

Cast enactment challenges are achieved by building commitment and defining gravity (Gupta, MacMillan, & Surie, 2004). Gupta and colleagues (2004) emphasize that highly committed, inspired, and talented teams are formed by utilizing the team-building skills of an entrepreneurial leader. By decisively specifying limits, the leader reshapes individuals' perceptions of their own capabilities by eliminating self-imposed ideas of limitation and this enables the members of the team to sustain the commitment against obstacles. Moreover, achieving optimal persistence is based on the extent to which the leader listens to the voice of the customers and incorporates their burning needs in the solution bundle of the firm. 'Listening to the voice of the customer' can lead founders to change their product vision each time they meet a prospective customer (Freeman, 2014, p. 17). At the same time, knowing when to remain resolute and when to acquiesce by pivoting is a considerable challenge for entrepreneurial leaders (Freeman, 2014).

Among TFS's first international consumers were Indian and Chinese buyers. The sandalwood markets of India and China were well established, and despite the high demand/low supply, it was no easy task for the newcomers to convince these traditionally conservative buyers to take a chance on TFS. The company had to remain transparent, showcasing its investment in R&D and the resultant quality of its wood. Although it helped that TFS already had well-established knowledge exchange ties with India, there was still a requirement to understand the diverse cultural practices and buying behaviors of Eastern buyers and end consumers. For example, it took TFS's marketing experts several persistent meetings with Indian buyers, spanning over several years, before the company was able to penetrate the Indian market. Eventually, TFS was able to capture parts of the Eastern market through the sale of wood in the form of logs, heartwood, spent charge, and billets (TFS Corporation Limited, 2016b).

In 2008, TFS extended its value chain investment by acquiring Mount Romance, the world's largest distiller of sandalwood oil (TFS Corporation Limited, 2016b). Despite these efforts, TFS found it increasingly difficult to procure investors within Australia. At the same time, and in the midst of the

GFC, the then financiers of TFS chose to call in their loans with the company. Nervous about the viability of the agricultural sector, many banks at this time followed a similar trend with their customers, which resulted in several large and well-known forestry investment companies to become insolvent. However, where other companies fell, TFS was proactive and they saw the importance of marketing efforts to build investment revenue from new sources – international sources. The company sought to understand who the key global agricultural fund investors were and the need to set up international agents to tap into these institutional investors. As a result, TFS was able to successfully refinance its operations by raising US\$150 million in debt from US markets in the form of a bond. International investors from regions including the Middle East and the USA were also welcomed, enabling TFS to successfully counteract the GFC. The ability to identify these investors and then showcase the plantations, forestry developments, and the distillation facility was instrumental to the success of TFS in withstanding the GFC. This is a clear indication of the responsible behavior of an entrepreneurial leader emphasized by Freeman (2014); amid the chaos, the entrepreneurial leader is responsible for continuing to develop the company's vision, achieving optimal persistence, and executing the vision in a manner that meets or exceeds customer expectations.

## **Innovation-Driven Entrepreneurial Leadership of TFS CEO**

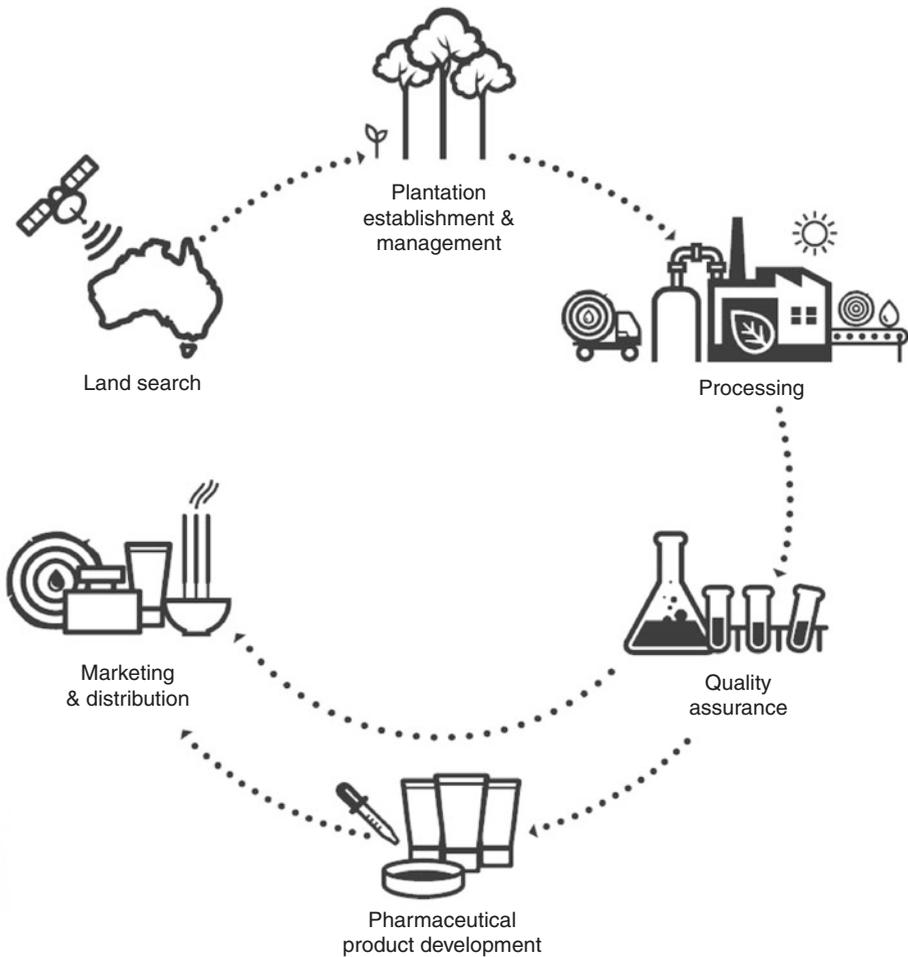
The revitalization of TFS after the financial meltdown in 2008–2009 led the company to continue executing the strategy blend of opportunity-seeking behavior and competitive advantage-seeking behavior. These strategic entrepreneurial approaches (Ireland, Hitt, & Sirmon, 2003) focused on the discovery and creation of opportunities to value creation (Hitt et al., 2011; Pacheco, Dean, & Payne, 2010) and concerned sustainable competitive advantages to exploit opportunities (Harms, Walsh, & Groen, 2012; Kuratko & Audretsch, 2009) through exploratory innovations and exploitative innovations, respectively. Frank Wilson's approach clearly mirrored these inseparable concepts in the entrepreneurial process for warranting current and future feasibility of business (Harms, Walsh, & Groen, 2012; Huang, Ding, & Chen, 2014; Kollmann & Stöckmann, 2014). His gut instinct of spotting the window of opportunity before it closed and exploiting that opportunity with innovative approaches opened up a corridor of opportunities for TFS in the Indian sandalwood market.

## Exploitative Innovation at TFS

After securing the necessary finance, TFS continued with the implementation of its vertically integrated business model. In 2011, the company became associated with Santalis Pharmaceuticals Inc., a 50% joint venture company, with ViroXis Corporation, to work on the research and product development of Indian sandalwood oil as a therapeutic ingredient (TFS Corporation Limited, 2016b). This led to major advances in R&D, which resulted in the creation of the world's only pharmaceutical grade sandalwood oil. Due to this development, in 2014, TFS was able to sign a product licensing and supply agreement through Santalis Pharmaceuticals Inc., with US-based Galderma, a world leading global dermatology company (TFS Corporation Limited, 2016b). TFS had successfully integrated vertically (Fig. 1), growing from producers of sandalwood trees and processors of sandalwood oil, to developers of a range of sandalwood products.

The decision to construct a vertically integrated business model led to the development of advanced processing technologies, works, and a diversified product profile (Fig. 2) as well as quality controls unrivalled in the global sandalwood market, ensuring TFS could capture greater value from the Indian sandalwood trees. In addition, Mount Romance rediscovered the native essential oil, recognizing its wide range of applications and introduced Australian-grown Indian sandalwood oil to the cosmetics, aromatherapy, and fragrance markets globally, carving out a niche position for Australian-grown Indian sandalwood oil as a natural, sustainable, and healing ingredient.

The approach behind TFS's vertically integrated business model and the development of a diversified product profile provide instances for exploitative innovation boosted by advantage-seeking behaviors (Schindehutte & Morris, 2009). These strategies primarily build on the existing knowledge of the firm and fortify improvements and refinements of current skills, processes, and structures (Holmqvist, 2004), and led to incremental product changes (Amason, Shrader, & Tompson, 2006). These are mainly aimed at penetrating existing markets by improving established designs, expanding existing products and services, and increasing the efficiency of available distribution channels (Benner & Tushman, 2003; Jansen, Van Den Bosch, & Volberda, 2006). Such innovation outcomes are rather familiar to the innovating firm and its customers; thus, they involve lower risk (Huang, Ding, & Chen, 2014). As they often have high synergies with the existing product portfolio, economies of scale and scope increase profit margins, they therefore positively affect profitability and operational efficiency (Auh & Menguc, 2005).



**Fig. 1** Vertical integration at TFS (annual report 2015)

TFS has the largest plantation of Indian sandalwood trees in the world with over 4.5 million sandalwood trees under management in 2015, which have an 80% survival rate (TFS Corporation Limited, 2016a). The trees can grow to an estimated 10-m height. TFS also owns and manages the largest purpose-built Indian sandalwood nurseries and has invested in the production of high-quality clonal seed orchards and has the capacity to produce enough seedlings for approximately 1,500 hectares of plantation (TFS Corporation Limited, 2015). The high quality of the seeds continues to enhance TFS's competitive advantage by increasing the growth rates and diameters of the trees, enabling better yields of both wood and oil.

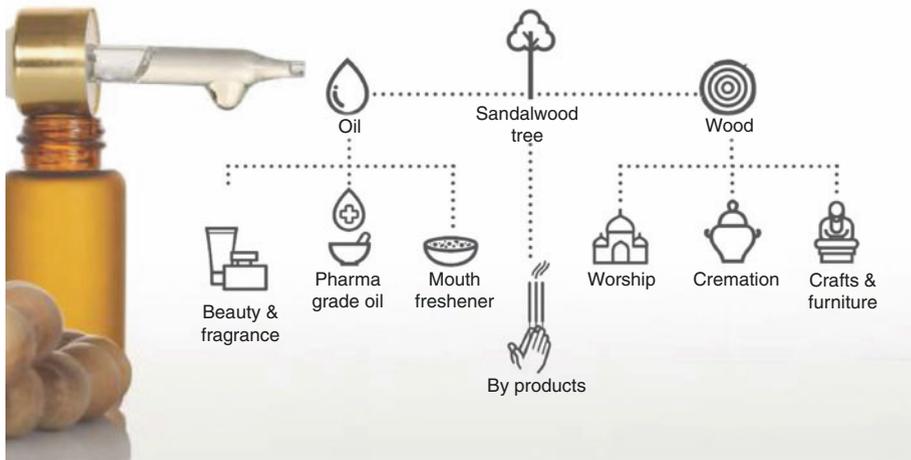


Fig. 2 TFS product profile (annual report 2015)

## Exploratory Innovation at TFS

With the production of sandalwood oil and the creation of Santalis Pharmaceuticals Inc., TFS was in a position to enter the Western market. TFS successfully recognized that there was a growing demand for sandalwood oil in countries such as the UK and the USA. Western buyers in the pharmaceutical and fragrance industries sought sandalwood oil, which was then used to produce perfumes, soaps, cosmetics, and skin care products (TFS Corporation Limited, 2016b). Lifestyle products such as sandalwood jewelry and home air fresheners have also grown in popularity (TFS Corporation Limited, 2016a). However, in penetrating the market, TFS faced the challenge of convincing Western buyers of the quality and efficacy of its oil. The company's strategic outlook and its ongoing investment in R&D, because of which TFS had developed oil that met global pharmaceutical standards, helped it to overcome this challenge easily. Indeed, Western buyers were eager to purchase the world's only pharmaceutical grade sandalwood oil. This highlights the beauty of exploratory innovation that departs from existing knowledge, offers new designs, creates new markets, and develops new channels of distribution (Benner & Tushman, 2003; Jansen, Van Den Bosch, & Volberda, 2006). Opportunity-seeking behaviors result in exploratory innovation and firms move rapidly to gain first mover advantage in emerging new products and/or new markets as a result of this (Rauch et al., 2009; Wang, Tee, & Ahmed, 2012).

Exploratory innovation primarily involves the challenging of existing approaches. As a process, exploratory innovation includes search, discovery, experimentation, and risk taking (McGrath, 2001). Exploratory innovation strategies result in superior new products with significant consumer benefits and can enable the firm to enter or even create new markets (He & Wong, 2004). While TFS had captured a range of variety of Western buyers, it decided to create greater value for its oil and increase its hold on the supply chain by developing its own range of skin care products. Consequently, in conjunction with Galderma Pharmaceuticals Inc., TFS developed a range of skin care products and recently launched Benzac Acne Solutions. Today in the USA, Galderma's Benzac, which features TFS's sandalwood oil as its key ingredient, is sold in over 30,000 stores across the country. In 2015, TFS also acquired their partner ViroXis Corporation, thus further strengthening their control on the value chain.

## **From a Good Company to a Great Company: Strategy Map of TFS**

The success of TFS has been based on the use of both the exploitative innovation and exploratory innovation. From a strategic entrepreneurship point of view, both these types of innovation are critical to a firm's growth and wealth creation (Ireland & Webb, 2007). Extensive exploration without the complementary levels of exploitation is dangerous and unprofitable because excessive emphasis on exploratory innovation restricts the capability of new ventures to sustain competitive advantages and to fully appropriate the value from exploratory activities (Auh & Menguc, 2005). By broadening existing knowledge and skills, expanding existing products, and increasing the efficiency and reliability of available distribution channels, new ventures can further profitably exploit mature markets (Franke & Schreier, 2002). Today, TFS distributes its oil, wood, and cosmetic products in over 30 countries across the globe, turning over \$30 million. It is estimated that in 2017 this figure will be closer to \$100 million. Moreover, TFS has captured both Eastern and Western markets alike, including countries such as India, China, the USA, and the UK. However, it has not always been smooth sailing for TFS, and the company has faced and overcome numerous challenges to reach its current position. The journey taken by TFS in charting East-West markets is a true reflection of entrepreneurial behavior, enriched with innovation, proactiveness, calculated

risk taking, determination, and perseverance. This is clearly evident in Wilson's response to *The Australian Business Review* in 2014:

Twelve months ago, it was a very different feeling. I was always very confident of where we were going, and the company itself didn't miss a beat, despite a lot of the noise from the outside. (Burrell, 2014, para.7)

Considering the above discussion, it is clear that entrepreneurial leaders are able to recognize opportunities and evaluate them through increasing the flow of information (Hansson & Mønsted, 2008; Kansikas et al., 2012). This can manifest itself in the form of entrepreneurial vision, which seems to lead to performance and growth when strategy mediates the relationship (Ruvio, Rosenblatt, & Hertz-Lazarowitz, 2010). The true sense of such organizational performance is not expressed by mere financial indicators; instead as a combination of learning and growth aspects, operational management, customer value proposition, and financial perspective of the firm (Kaplan & Norton, 2004). Therefore, the entrepreneurial strategic behavior at TFS and its impact on the company's performance can be encapsulated in a strategy map based on Kaplan and Norton's (2004) work, as seen in Fig. 3.

Reaching the financial figures of an increase in cash revenue to \$152 million (+12%) earnings before interest, tax, depreciation, and amortization (EBITDA) = \$57.5 million (+12%), net profit after tax (NPAT) = \$113 (+37%), and the operational result of total hectares of estate = 10,583 (TFS Corporation Limited, 2015) is not solely a motivation of monetary gains, rather an overall development in the organizational values. TFS strongly believes that finding a healthy balance between economic, social, and environmental factors can help the company better achieve its business strategy by enabling the mitigation of corporate risks, improving stakeholder relationships and delivering returns to shareholders. TFS has broadened the scope of its International Standard Organization (ISO) certification to cover new areas like primary processing. TFS Corporation Ltd has ISO 14001 (Environment), ISO 9001 (Quality), and AS/NZ 4801 (Health and Safety) certification across its entire operations (TFS Corporation Limited, 2016b).

Incorporating the 'sustainability' element into the core values of the company, TFS has taken various measures to ensure the environmental sustainability, while strategically using environmental resources. These actions have highly been praised by the International Union for Conservation of Nature as follows:

All efforts to cultivate Indian Sandalwood to meet the demand for timber, oil, etc. are strongly encouraged by IUCN as these help to reduce the need for harvesting

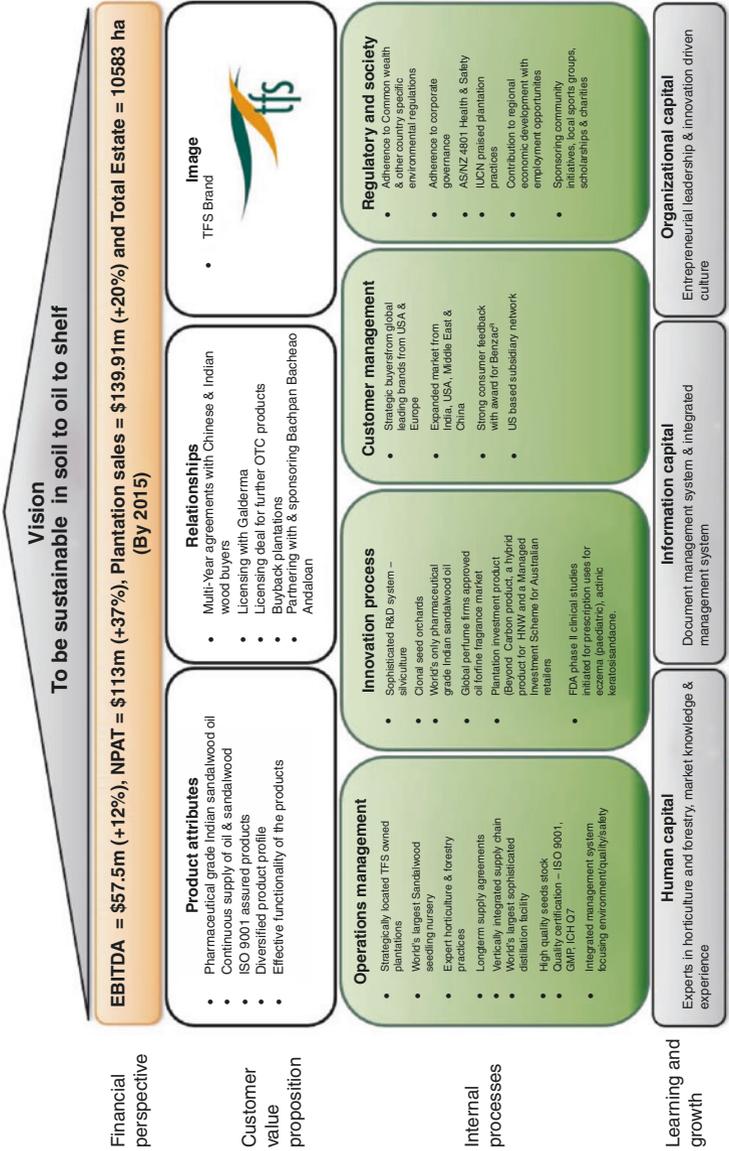


Fig. 3 TFS strategy map – transforming from a good company to a great company

from wild populations. We are impressed with what TFS Corporation is doing; you have established a sustainable and environmentally sensitive business which is trying to minimize the impact of its operation on the environment in northern Australia where the trees are grown. Purchase of Sandalwood products from certified cultivated sources is encouraged by IUCN. (TFS Corporation Limited, 2015, p. 19)

TFS's involvement in various partnerships also promoted the social well-being of the community. For instance, TFS sponsors the Bachpan Bachao Andolan organization to deliver a community project in areas of rural India where native sandalwood forests have been devastated (TFS Corporation Limited, 2015). Since 2010 the project has helped to increase school attendance, stop child marriage, improve opportunities for women and boost small-scale enterprise. In addition to this, TFS has also become a regional employer in Western Australia by creating large number of employment opportunities to the community (TFS Corporation Limited, 2016a). During its journey, TFS has scaled up its manpower strategically by hiring skilled employees at every stage of their development. Expert teams of horticulture and forestry managers, foresters, and other permanent and casual staff at TFS are a splendid instance of its continuously improving strategy.

Specifically, TFS has created 170 permanent jobs and approximately 400 casual job opportunities, encouraging supportive industries such as local businesses, contract operations, and services and sponsoring community initiatives including local sport groups, scholarships, and charities like the Clontarf Foundation are worthy of mentioning here (TFS Corporation Limited, 2015).

## Conclusion

The above case of TFS not only speaks about building a truly entrepreneurial company but also about creating an industry with sustainable practices. This case study mirrors the approach of leading and embedding entrepreneurship and innovation activity into the TFS culture and strategy to direct the company toward an East meets West business, exemplifying entrepreneurial leadership best practices, and envisioning the potential of an entrepreneurial opportunity. The entrepreneurial role behaviors of framing the challenge, absorbing uncertainty, and underwriting by TFS leadership have paved the way for securing the Indian sandalwood market with exploratory innovations. TFS's entrepreneurial leadership approaches of commitment building and gravity defining in addressing cast enactment challenges have brought the company a sustainable competitive advantage based on exploitative innovation. As found by Huang, Ding,

and Chen (2014), entrepreneurial leadership is positively related to new venture performance and exploratory and exploitative innovations act as mediating mechanisms between entrepreneurial leadership and new venture performance. It is clear that the entrepreneurial leadership displayed at TFS has enabled the company to capture both Eastern and Western markets from across the globe, through the expansion of its value chain. Indeed, TFS has grown from a small start-up to a global company, producing unique products, which capture value in a variety of markets internationally.

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# How Connected Leadership Helps to Create More Agile and Customer-Centric Organizations in Asia

Simon Hayward, Barry Freeman and Alison Tickner

## Introduction

The initial research behind this chapter was conducted in the UK between 2013 and 2015 and was focused on the factors that affect the successful transition towards more shared forms of leadership in large organizations as an integral part of their transformation (Hayward, 2015a). It has subsequently been brought to a wider readership in the book *Connected Leadership: How to Build a More Agile and Customer-Centric Business* (Hayward, 2015b), published by Financial Times Publishing in 2015.

This initial research was then extended in a second stage through comparison with the outputs of over 1,000 executive coaching sessions in large organizations in Singapore, Hong Kong, India and Australasia during 2015 in conjunction with Freeman and Tickner. Through this two-stage analysis, we have located the initial research in the international Asian context and related it to the day-to-day challenges that Asian managers in these countries really experience.

The original research focuses on the shift towards shared leadership which is in line with becoming more responsive and customer-centric in the global economy, where expectations of consumers and business customers are increasingly for devolved decision-making and rapid service recovery. The

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second stage informs how international organizations in Asia can coordinate shifts in leadership approach on an international, pan-regional, as well as intra-regional basis. The research highlights areas where this progress is particularly challenging for leaders in Confucian cultures where ‘face saving’ is a particularly sensitive and important driver of behaviour. ‘Face saving’ is defined as preserving one’s reputation, credibility or dignity (Oxford English Dictionary, 1989), although it is a subtler and more socially pervasive influence than this definition suggests and is particularly prevalent in countries such as Hong Kong, China, Japan, Korea and Singapore.

In our research and coaching work with large organizations over the last few years, we see many struggling to adapt to changing markets, changing industry dynamics, changing technologies and cost models. They are seeking more agile ways of working. Research conducted in late 2014 and early 2015 by the consulting firm Cirrus and the research firm Ipsos (Ipsos & Cirrus, 2015) into what CEOs seek most from leadership showed that their most important need was increasing organizational agility. Updated research by the same firms a year later highlighted the need for agility to drive innovation (Ipsos & Cirrus, 2016). The gap between the level of agility and innovation needed to compete effectively in the unpredictable, volatile, digital world and their current practice was a major concern for the hundreds of CEOs surveyed. The connected leadership factors described below are a result of the research into how to accelerate this transition, so they are helpful in identifying ways to fill the gap identified in the Ipsos and Cirrus studies.

## Literature Review

Many organizations are operating in a complex and volatile environment where new forms of leadership are required to create more responsive and agile ways of working (Leithwood et al., 2006; Thorpe, et al., 2011). Individual leaders taking the role of hero in a centralized and autocratic model of organizational leadership is becoming an obsolete leadership approach (Hayward, 2015b). In order to succeed in the rapidly changing, sometimes chaotic, world in which large organizations today operate, they need a nimbler, responsive, intelligent way of working that can respond to rapid changes in market demands from globally networked consumers (e.g. via social media).

Research into leadership has moved over the last 15 years increasingly to recognize the rise of the ‘post-heroic leader’ (Badaracco, 2001) who operates

in a more distributed and inclusive way. The 'post-heroic leader' is in tune with the increasingly transparent, connected world of work and seeks to create an approach to leadership in their organization where decisions are made by those best equipped to make them fully empowered to do so through the deliberate delegation of authority and supported with information, tools and training to ensure they can make effective decisions in the best interests of the organization and its customers.

Distributed leadership (DL) (Bolden, 2011, Gronn, 2002, Harris et al, 2007, Spillane, 2005, Thorpe et al, 2011) is a significant area of emerging theoretical research in line with this trend, and one that embodies many of the qualities of leadership that modern organizations are seeking to embed across their operations. DL means spreading out the leadership process of influence and decision-making widely across human agents in the organization, such as in schools giving teachers high levels of discretion to teach as they see fit in order to increase student performance.

In addition to DL we also draw on complexity leadership theory (CLT) (Uhl-Bien & Marion, 2001) and authentic leadership theory (Avolio et al., 2004; Walumbwa et al., 2008) to make sense of the transition towards a more distributed and agile way of working.

In the original research into connected leadership theory, we drew on the 'intelligent hierarchy' model of DL (Leithwood & Mascall, 2008) which describes a balance between the distribution of the leadership process while retaining a strong core structure. This relates well to the large organizational context on which we are focused because there are typically more agents and substructures in a larger organization than in a smaller one, creating more scope for variation and a loss of cohesion.

We also draw on CLT which recognizes that in the unpredictable world in which we now operate we need to create organizations that can adapt to changing conditions whilst retaining strong core processes. We also draw on shared leadership theory (Pearce & Conger, 2003), which emphasizes team leadership and the shared nature of leadership as a process of influence, and on adaptive leadership (Yukl and Mahsud, 2010), which emphasizes the need for systemic change leadership in order to thrive in the complex world in which we operate.

Finally, we draw on authentic (Avolio et al., 2004) and ethical leadership theories (Kanungo, 2001). Both reflect the increased emphasis on values and behaviour in organizational performance since the 1990s. Connected leadership draws heavily on authentic leadership in particular as personal and collective authenticity is a prerequisite for the quality of trust that is required for connected relationships to work in practice. Authentic leadership suggests

that leaders need to have high levels of self-awareness, a strong moral compass, the ability to make sense of information in a balanced way, and have open and transparent relationships. Servant leadership is also very consistent with connected leadership, reflecting the shift from the leader as hero to being the enabler of others (Greenleaf & Spears, 2002).

All of this is set in the context of the increasingly complex, transparent and networked society in which leaders and organizations are operating, which accentuates the need for leaders to recreate leadership as a shared process across the organization. This is true both for large complex matrixed organizations operating globally and also for smaller regional or national organizations operating in a globally connected world.

## Research Methodology

In the initial research, longitudinal case studies were studied from 2013 to 2015 to develop a clear understanding of what factors influence the success or failure of a move towards a more distributed form of leadership in large complex organizations. Each case study was a large organization (employing thousands of people) making a transition towards a more shared approach to leadership. A range of sources were used, including strategic document analysis to understand the organizational agenda, engagement research data to understand the impact of change on employees, leader observation to see behaviours in practice and in-depth interviews to collect more personal data.

Eighty elite interviews were conducted in two stages over a 20-month period at two levels in each case: senior leadership to understand their actions and the intentions behind them, and middle managers to understand the impact and consequence of those actions. Template analysis (King, 2012) was used (using NVivo software) to analyse the content and cross-case analysis to identify key factors that influenced the degree of success in transition.

The second stage of research took these findings in 2015 and sought to contextualize them to the Asian environment through testing in approximately 1,200 hours of coaching sessions across Asia in large complex organizations undergoing similar transitions to those in the original UK research. The managers being coached were typically in senior and middle management roles in large international organizations, with degrees or professional qualifications and in a range of roles covering local, regional or global responsibilities. The organizations in which they work were predominantly from the banking and insurance sectors. The connected leadership factors

were compared by an expert panel of coaches with the presenting issues from the manager being coached and their perception of their organization's priorities.

The resulting synthesis of original research and cross-validation through the coaching sessions combined international and more regional insight into the critical success factors in the transition to more shared leadership practices in an Asian context.

## Findings

Through the initial empirical research and drawing widely on international leadership literature, six factors were identified that are most helpful in the transition to a more shared approach to leadership (Hayward, 2015a; Hayward 2015b). The six factors of connected leadership are:

*Senior leadership commitment* – senior leaders embrace the need to lead the transition to more distributed ways of working, and to role model the changes in behaviour, decision-making and policy.

*Shared direction and purpose* – people across the organization have a clear and consistently held understanding of where the organization is seeking to get to, and why this is of wider human significance, so that everyone is able to make the same sense of what is happening around them.

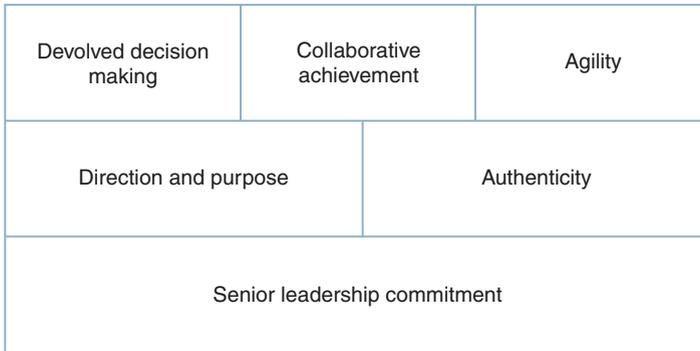
*Authenticity* – the organization has a clear code of conduct to which everyone is committed, so that leadership behaviour throughout the organization is consistent and in line with the espoused values.

*Devolved decision-making* – decision rights are consistently devolved to the lowest sensible level, with only strategic decisions being taken at the more senior levels.

*Collaborative achievement* – team working and inter-team collaboration are seen throughout the organization as the default way of working, so that the end-to-end processes operate effectively, quickly and in a responsive way.

*Agility* – experimentation, learning and innovation are prevalent and shared across the organization, especially at the periphery near the customer, so that the organization is able to respond to the sometimes chaotic environment intelligently.

These factors draw on distributed and shared leadership and other key leadership theories, as discussed above, and the synthesis of these theories provides a route forward for organizations seeking a coherent way to manage the unpredictability of modern market conditions. Figure 1 contains the factors of connected leadership.



**Fig. 1** The connected leadership factors

As the layered nature of the figure suggests, the first factor of senior leadership commitment is foundational to the transition to becoming more agile and customer-driven. Senior leaders' commitment to being effective role models is a necessary prerequisite for the changes, such as sharing of power, needed to make the shift. Cross-case analysis showed how this then enables the power of a shared vision and purpose and adopting a values-based approach to work authentically across the organization. These next two factors create the framework within which people in the organization can act with greater freedom. The last three factors of devolved decision-making, collaborative achievement and agility then create greater cohesion and ability to adapt to changing circumstances across the organization as people make joined-up decisions, collaborate, learn and share.

Connected leadership provides a clear and coherent leadership framework for organizations to use in order to become more distributed, more agile and more in tune with the ever-changing needs and wants of consumers around the world.

The first finding from the secondary research in Asia has been that the factors of connected leadership relate well to the Asian context, with certain caveats about how the factors of devolved decision-making, collaborative achievement and agility apply in practice. There are also caveats about the issue of 'saving face'. Our analysis of coaching session content cross-validates the initial research in the context of markets across Asia. In the sections below, we describe the main themes emerging from this secondary analysis to help place connected leadership in the Asian context and to provide insights into how to accelerate progress towards more connected organizations in Asia, abler to compete in the global context.

## Senior Leadership Commitment

The seniority of and respect for elders are embedded constructs in many Asian country cultures, related to the Confucian emphasis on social harmony and loyalty to hierarchy. Coaching discussions suggested that the younger generations in the business context are looking for and expecting more mutual respect in the workplace, and in the connected world. This emphasizes the need for leaders in Asia to be persistent in the way they collaborate and devolve decision-making, whilst holding others to account in fast-moving markets. To achieve this, there is a need for skill development in having difficult conversations, particularly where the leader is younger than the employee, in order to overcome deep-seated cultural inhibitions about sharing power and influence. The challenge is to maintain face whilst increasing equality and mutual respect.

## Purpose and Direction

One of the conclusions we have drawn from the coaching analysis is that in general Asian managers and staff tend to seek clarity of direction as a priority: they want to be told where the organization is heading and what they are expected to do in support of that organizational goal. For some this extends to being told how to achieve their own objectives as well, especially in societies influenced by Confucian thinking, which is at odds with the concept of devolved decision-making and increasing local discretion within the wider organizational strategic direction.

In terms of purpose, we observed a widespread desire among managers to be told why they do what they do and what broader purpose it serves. With the younger generation, the broader sense of purpose is often more important. With the older generation, they tend to be happier to accept direction and instructions on how to execute without questioning the reason why it is important. With this generational contrast, a leader's ability to inspire others to believe in the purpose and direction (what we might call part of the organizational narrative) is more important with younger colleagues. This is in line with research findings in the UK (Deloitte, 2016), where millennials have higher expectations of a higher organizational moral purpose than their older colleagues. Engaging others in a deeper sense of purpose, rather than relying on telling people what to do, will be a key leadership development area over the coming decade.

Related to this, the ability to motivate and influence in a global matrix enterprise was a key topic amongst many of the Asian managers coached in 2015. They were looking for innovative ways to communicate across geographies and functional boundaries in a way that engaged both the older and younger generations with the organizational narrative. We found that homogenous communications strategies across different countries in Asia were often less effective and caused ambiguity. Managers need to tailor the messages and communications methods to different audiences if they are to engage people with the organization's purpose and direction effectively. Dimensions for this tailoring include levels of expression, hierarchy and formality.

For example, the Indian managers we coached were generally highly expressive, working in a very hierarchical structure in an informal way. They valued having good 'buddy' rapport with their direct reports and yet maintained a fairly clear hierarchy with their teams. In one team, for example, direction was set and communicated in a formal way but buy-in was negotiated in informal settings, such as over tea. Chinese managers, however, were generally less expressive, engaging only when necessary in a highly hierarchical structure and in a formal way. While relationships were considered important, communication was often formal, terse and direct. Micro-managing was common and accepted. For instance, in one team, the manager set the direction and continued to be heavily involved in directing and keeping his reports 'in-check'. He was also adept at pushing hard by using relational methods such as buying lunch and giving pep-talks in order to encourage his team members to achieve their objectives.

## **Authenticity**

We found in the comparison between the original and the secondary research that there are different interpretations of authenticity in Asia to the UK-based meaning. We know from the connected leadership research that authenticity is a key foundation for strong and trusting relationships. It is also generally accepted that relationships are highly valued in societies across Asia, linked in many to the influence of Confucian tradition. Generally, to a typically Western audience, authenticity is perceived as including open and transparent relationships, balanced processing of information, being values-based and being true to oneself (Avolio et al., 2009). However, among the Asian managers we were coaching, few felt it appropriate or even acceptable to do this fully and instead placed greater emphasis on maintaining harmony

and deference to higher authority by not asserting or even offering their views.

This was compounded by the cultural difficulty with challenging authority in case it is seen as being disloyal. To quote Ratanjee (2013), 'traditionally, Asians are conditioned to respect seniors and follow established norms and customs, so imitation and loyalty are prized over developing each person to his or her full potential'. As a consequence, senior managers were allowed to drive the agenda and decide on how to execute plans with little challenge or alternative views from their less senior managerial colleagues. This cultural belief in the value of respect for seniority can, in practice, stifle creativity and innovation, whilst at the same time it represents managers being respectful of the wider cultural values and beliefs in their society.

In one situation, for example, where individuals from various support functions were preparing a proposal on behalf of a senior manager, they could see problems with the way that the proposal was being worded and presented. Even though they had some positive alternatives, the individuals were unwilling to share them as they contradicted the way the more senior manager wanted the work done. This was compounded by the fact that they felt they could not influence someone to whom they did not directly report, and that showing respect for the senior manager was more important than the quality of the proposal.

While trustworthiness is an important aspect of authenticity in the connected leadership framework, we have observed that in many Asian cultures little value is placed on protecting other people's intellectual property (only one's own). Emulating or copying what people see as successful is seen as acceptable, whether this be in terms of behaviour or products. This is more pronounced when there is a lack of judicial protection for intellectual property. A key challenge for international trade is how to increase the levels of trust and confidence in intellectual property rights at both the personal and the national level to facilitate freedom of trade. If managers are to be seen as authentic in a global context, they need to recognize the importance of respecting ownership and giving credit where it is due.

One area where Asian managers often have a head start in terms of authenticity over their Western counterparts is in the emphasis placed on relationships and feelings. In Anglo Saxon cultures, managers often place more emphasis on 'straightforwardness' or 'telling it like it is' than on being careful not to offend or hurt other people's feelings. A Western manager may emphasize the facts in a situation, but if they fail to pay attention to matters of face with their Asian colleagues they can cause offence that may adversely affect the outcome.

## Devolved Decision-Making

In the coaching research, Asian managers had challenges in engaging with colleagues in a collaborative and empowered way in order to influence decisions and actions. The prevailing command and control style of leadership was seen to be a constraint on the organization's ambitions. An underlying implication of connected leadership research is the need for leaders to empower followers.

Empowerment is conceptualized as a psychological state that encompasses four cognitions: competence, an individual's belief in his or her capability that he or she can be effective; impact, the degree to which an individual can influence strategic, administrative, or operating outcomes at work; meaningfulness, the value of a work goal or purpose, judged in relation to an individual's ideals or standards and self-determination, an individual's sense of having choice in initiating and regulating actions. (Van Dierendonck & Dijkstra, 2012, p. E3)

Empowerment is more than the delegation of power, it is about the creation of an environment where this sharing of authority is more likely to lead to increasingly effective decisions and operations. Many of the coaching sessions suggested that managers did not work in such an environment.

The challenge, especially in the Asian context, is to encourage 'post-heroic leadership' (Badaracco, 2001). Such leaders are typically in tune with the increasingly transparent, networked world of work and seeks to create an approach to leadership where decisions are made by those best equipped to make them (Spillane, 2005). They fully empower team members (Spreitzer, 2008) to do so through the coordinated delegation of authority and supported with information, tools and training to ensure they can make effective decisions in the best interests of the organization and its customers.

From the Asian coaching data collected in 2015, we observed that there was a tendency for managers' egos to get in the way of devolved decision-making, driven by concern that they be seen not to know something, or because they might look weak in front of their peers and boss. This 'ego factor' was also a challenge for the coaches of these managers, for example, when one manager stated his belief that 'if I need a coach, there must be something wrong with me. There isn't, so why would I entertain being coached?'

The coaches' feedback was that this ego concern was related to the importance of face, which is about maintaining respect, appearing

knowledgeable and ‘looking good’. The cultural need to protect face causes managers to struggle with devolved decision-making and to feel that they need to make decisions and provide answers for those that report to them. This lack of willingness to share decision-making responsibility may also be linked to a discomfort with vulnerability and lack of control, which represents a key coaching focus for Asian managers who need to operate in complex matrix organizations and lead increasingly multi-generational teams.

One of the priorities for managers in devolving decisions more effectively is to build the capability of their teams so that they are competent and confident to make effective decisions in line with the overall direction and purpose of the organization. As Ratanjee (2013, p. 2) states in describing how Asia will continue to develop successfully in the world economy:

a fine-tuned perspective on what makes business leaders successful will be a real asset – and provide a competitive edge – in the coming decade. It will also help companies navigate the future uncertainties expected in the region. There are three key strategies that companies in Asia must adopt to maximize leadership talent: focus on strengths, create a strong culture of coaching and mentoring, and build global competence.

By developing managers as coaches and playing to strengths, Asian organizations will equip people to take on more responsibility, and to do so with confidence, which in turn drives effective devolved decision-making and greater customer happiness.

## **Collaborative Achievement**

As workplaces become more multicultural, companies continue to expand globally and competition intensifies, managers in these complex multinational organizations will need to connect in a way that takes into account the cultural context of what is valued and practised in the countries in which they operate. Collaboration creates the environment for increased cross-functional innovation, but in the Asian context this can be reduced by the risk of ‘groupthink’. As Ratanjee (2013, p. 2) describes: ‘Asian culture – with its lower tolerance for dissident viewpoints – tends to result in teams in which senior executives and managers

think and behave like their leader, which in turn results in groupthink and a lack of innovation’.

Coaching data from the banking industry in 2015 demonstrates this situation, with managers who were trying to increase collaboration with colleagues in Asia in general and China in particular finding that senior managers resisted collaborative approaches as they saw their personal reputation better enhanced through being the ‘hero’ and providing answers and solving problems for direct reports. This in turn built the manager’s status and increased the team’s loyalty and desire to imitate and follow them.

The coaching data suggests that in South East Asia managers were particularly willing to collaborate across boundaries and be supportive of cross-functional and inter-country joint activities. The challenge for organizations in other parts of Asia seeking greater innovation and performance through increased collaboration is to change the mindset of their managers to seek and value more dissident or alternative views.

## Agility

Given the cultural diversity of Asia, one of the most significant challenges for managers in creating a more agile organization is being able to work across different cultural norms. Bersin (2014, p. 3) writes that ‘while core [leadership] capabilities are the same everywhere, people agreed that style matters and cultural agility is key’.

According to our research, managers in Asia can struggle with the combination of agility and collaborative achievement in large complex matrix organizations. From the Asian coaching data, this is evident in the way managers are challenged with having difficult conversations on performance and holding people to account, expressing views that may be contrary to that of their manager, being vulnerable for fear of appearing inadequate in their role and their need to appear knowledgeable and competent through making decisions and micro-managing. This is particularly apparent in eastern Asia, where the importance of protecting status is an important aspect of the Confucian emphasis on self-protection, according to the GLOBE Study by CCL (2011). In Japan, for example, Bersin (2014, p. 4) describes ‘the culture of harmony and respect’, which tends to lead to deferential performance conversations. In southern Asia, there is more emphasis on team and maintaining a humane, compassionate approach to managerial relationships, leading to diplomatic performance conversations. Both styles are in contrast

to the 'rugged individual' style often favoured in Anglo-Saxon culture, which is typically more direct and explicit.

Many of the coaching sessions we reviewed focused on how the leader could work with greater agility in a global complex matrix enterprise, seeking to be more influential, collaborative and add value in the process. This generally required managers to be more courageous in the way they shared their views with senior managers who still operated with a command and control style focused often on short-term results, rather than long-term sustainability of performance.

From an action coaching perspective, we saw many breakthroughs, with managers who were preparing for the difficult conversations with their manager combining all of the factors of connected leadership to build alignment, clarity and priority with their manager in a way that enable both sufficient face saving and a different, better solution. One such leader reported that she learned so much more about her manager's concerns and organizational constraints through this braver conversation, and that she could better appreciate their different perspective, thus building greater empathy between them. She reported that the 'connection' achieved with her manager enabled them to collaborate better and to develop a different, more innovative solution which they were able to communicate and implement with shared purpose.

## Discussion and Implications

Our research highlights certain key areas of challenge for Asian leaders in transforming their organizations into more agile and customer-centric organizations in the connected twenty-first-century world.

A major international bank involved in the coaching research had restructured in 2015 in order to simplify business processes, foster collaboration in a complex matrix environment and devolve decision-making to those closer to the customer who are able to be more agile and responsive to local market conditions. These are brave steps in the direction of becoming more connected. Our research suggests that managers in the bank struggled with openness. Their need to balance openness (and vulnerability) with the need to save face is something that will take a long time to change. At the personal level, managers reported that they saw the need for change, but were struggling with what Kegan and Lahey call their own immunity to change (2009).

Our research also shows that Asian managers find it challenging to have high-quality and challenging conversations in the context of performance management or safety. The issue of face saving again is a dominant factor. Younger managers find it difficult to hold more senior managers accountable as well as build engagement and collaboration with them. This skill is critical when trying to demonstrate mutual respect, whilst getting to the root cause of problems for corrective action. Mistakes can too often be seen as failures in the face-saving context, with individuals sometimes 'falling on their sword' as the only honourable way to save face. This is likely to reduce the level of agility, learning and innovation prevalent in the workplace. Creating a climate where mistakes are seen as opportunities to learn can be a significant challenge for Asian managers, and yet this is a key factor in creating a learning culture able to learn, adapt and innovate.

Through the research findings described here we have identified certain barriers to shared leadership in the context of large and medium-sized Asian organizations, which provide a clear focus for practitioners to work on mitigating strategies to enable accelerated progress towards more shared or connected leadership in their organizations.

## Conclusions

Through this two-stage research activity we have taken current research findings from the UK and explored their applicability across several Asian countries through reference to practical coaching discussions with senior and middle managers in large Asian businesses. We have drawn out key differences between the UK and Asian managers, which provide a focus for the development of more connected ways of working and the development of truly connected organizations in Asia.

Our research in the Asian context has been focused primarily on the financial services market, and we recognize the need to extend it to a wider sector base. We also intend to develop more nationally or regionally specific insights in countries such as China, India and Indonesia through further research with regional academic institutions. Finally, deeper research is needed into the mitigating strategies to deal with issues such as face saving as identified above in order to provide more detailed ways to enable managers to change their mindset and operate in a more open and collaborative way.

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# Part II

## Dark Side of Leadership

# The Dark Side of Organizational Leadership in the Transformation of Asia and the Need for Reform in Public and Private Sectors: Cases from China and India

Elizabeth Christopher

## Introduction

Two nations in Asia are the focus of the chapter because the region's advancement over the past few decades has transformed the global economic landscape. China is expected to become the world's largest economy by 2030; while India – ranked eighth for 2015 – should take third place after the USA, overtaking Brazil, the UK, France, Germany and Japan.

However, in 2015 Transparency International (Corruption Perceptions Index, 2016) rated China's score for corruption as only 37/100 and 38/100 for India. Based on expert opinion from around the world, the Corruption Perceptions Index measures the perceived levels of public sector corruption worldwide. Therefore, an enquiry into the nature of the relationship between public and private sectors in these countries warrants further investigation.

## The Research Question

The purpose in exploring this 'dark side' of leadership in Asia was to seek answers to the research question: what seem to be major motivations for corrupt corporate and bureaucratic leadership in India and China as reported in the international press?

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## The Aim of the Research

The aim of the research was to explore difficulties in combining private sector interests with those of society. That is, to identify anti-social behaviour in the private sector and assess the effectiveness and transparency of preventative measures by government officials against corruption, taking these two countries as examples.

## Assumptions

The theoretical assumption underlying the study was that honest and open government-instituted reforms of private sectors are essential in these countries, to ensure that organizational leaders will retain their incentives to pursue profit but remain aware they will be held publicly and legally accountable for their business decisions.

## The Structure of the Report

- Introduction: formulation of research question; the need for and aim of the research
- Literature review
- Methodology
- Case studies and discussion
- Findings, limitations and conclusion

## Literature Review

The following review supports the main contention of the chapter, that corrupt leadership in the private sectors of China and India indicates the need for non-corrupt government-led reform.

## China: Background

China is moving away from an economy dependent on government spending and exports, to a more sustainable model where private consumption and investment are the key drivers (Perkowski, 2012; Yang, 1998). The government continues to develop private enterprises, and these have driven China's economic growth in recent decades. They play an essential role in the

country's continued transition towards becoming the world's largest economy (Pagnutti, 2015), and the private sector now accounts for at least three-quarters of the Chinese economy, and possibly more. Over the past 10 years, this sector has driven China's economic momentum and constitutes a fundamental restructuring of the economy's ownership away from the state and into private hands. Private businesses create 90% of new jobs and are the major employers in many parts of China (Orszag, 2014).

However, the state continues to play an important role in shaping markets, supporting state-owned enterprises (SOEs) and creating the wider conditions under which businesses grow. Many private enterprises, especially those traded on China's own stock markets in Shanghai and Shenzhen, are actually controlled by the state through shareholdings and informal means of maintaining influence (Atherton, 2015).

Within this context, the Chinese state and Communist Party continue to prefer and support SOEs, offering them market opportunities, finance, political support and sponsorship that is not available to private entrepreneurs. Unfortunately they now lag well behind the non-state sector in terms of productivity and performance (Zhang & Freestone, 2013), yet continue to command a disproportionate share of the country's financial resources through their privileged position in the political system. Moreover, state-owned assets have become a source of bribery (Gan & Huang, 2015) by which SOE managers gain control over leading officials in order to serve their personal interests.

For example, it was reported in March 2016 (Connor, 2016) that China punished almost 300,000 officials for graft in 2014 under the Communist Party's code of conduct as part of President Xi Jinping's high-profile war against corruption. The code has been identified by the party's top discipline watchdog, the Central Commission for Discipline Inspection (CCDI), as a means to prevent officials from slipping into corruption. The corruption crackdown has been one of President Xi's key policies, although critics have questioned its lack of transparency and also claim it is more a tool to ensure potential rivals are removed from key positions.

The CCDI rarely gives details of the evidence it uses when it publishes accounts of those identified in the corruption crackdown, but there are daily reports in China of allegations of bribery and abuse of power among officials. Former Chinese security chief Zhou Yongkang in 2014 (BBC, 2014) became the highest ranking former official to be placed on trial for corruption in decades when he was sentenced to life in prison at a secret trial.

Market-oriented reforms to the SOE sector will be crucial if China is to maintain a swift pace of economic development (Enderle, 2001). China has enjoyed a higher growth rate for a longer period than any other nation to date, but a new consensus is emerging that China is now facing a crucial turning point (Aoki & Wu, 2012) at which to examine its changing conditions for future development and implement institutional reforms.

For example, more openness is needed by government policymakers if they are to take advantage of what have been suggested (Wu, 2012) as three major options for change: increasing privatization; introducing competition; and making managerial and institutional reforms. Stiglitz's (1994) theoretical insights into the workings of a market economy and the setting of policy in transitional economies would seem to support these suggestions.

The focus of the Chinese case study below is on the need for internal reform *within* government and institutional reform *by* government of the private sector, so that organizational leaders will have incentives both to pursue profit and be held accountable for their business decisions.

## India: Background

Indian business culture is rooted in a uniquely Indian value – that of *Jugaad*, a Hindi word, meaning an improvised solution born from ingenuity and cleverness (Radjou et al, 2012). It is from this meaning that *Jugaad* is associated with the super-innovative Tata Nano and the Indian mobile networks. However, there is another meaning of *Jugaad* which refers to solutions that bend – even break – the rules (Kapoor, 2011).

The Indian case study below is an example not only of corrupt leadership, but also of the dangers of *Jugaad* management instead of more orthodox and long-term solutions to organizational problems. It illustrates also the power of business leaders over government entities. Corruption in India is a major issue that adversely affects its economy. A study conducted by Transparency International in 2005 (Ram, 2014) found that more than 62% of Indians had first-hand experience of paying bribes or exerting undue influence on officials in public offices to obtain benefits such as licences and permits.

In 2009, the social reformer Anna Hazare spearheaded a huge anti-corruption movement across the country (Tiwari, 2014). Hazare called on

the Indian government to introduce a Lokpal – a type of public ombudsman committee – with the legal power to investigate government corruption. In 2011, the Hazare-led ‘India Against Corruption’ movement became the foreground for the Jan Lokpal campaign (PTI, 2015). After the Aam Aadmi Party came to power for the first time in 2014, Chief Minister Arvind Kejriwal tried unsuccessfully to introduce this anti-corruption bill in the Delhi legislative assembly and resigned after 49 days in power.

In November 2015, the Delhi Jan Lokpal Bill was passed by the Assembly (Janwalkar, 2015). The Bill empowered an anti-corruption watchdog as a single entity for probing all corruption complaints against government functionaries by ending the existing multiplicity of investigating agencies.

An anti-corruption helpline was established, aimed at adding more teeth to the internal vigilance mechanism in government departments. However, conflict between political parties resulted in its cancellation in July 2015, ending its capability to log 1,500–2,000 graft complaints on a daily basis of which, it was claimed, at least one fresh case of corruption would emerge each week. The Delhi government’s Directorate of Vigilance now records complaints on its own and claims to have taken action against 40–45 of its own officials between June 2015 and early January 2016 (Delhi Government of India, 2016).

Nevertheless, critics argue that the Lokpal Bill has been ‘diluted beyond recognition’ from the original (Yadav, 2015), and that it has ‘yet to sweep out dirty politics’ (Anand, 2016).

## Research Methodology

### Case Studies

The main method of enquiry in this study was case study: a form of research that is qualitative and descriptive, to provide as complete a picture of an event as possible (Christopher, 2015); to discuss the extent to which conclusions might be transferable to other settings; and to identify patterns of cultural and social relationships and put them in context.

Where case studies differ from other qualitative research is that essentially they are narratives. They describe real, complicated and contextually rich dilemmas, conflicts or problems. They are a form of exploratory research – in this chapter to identify and expose some examples of the dark side of leadership in Chinese and Indian settings; thus to provide new insights, to develop ideas and hypotheses for more enlightened behaviour.

For the purposes of the study, two cases were compiled to illustrate the theoretical arguments. They were selected based on the following criteria:

- Their respective contents are highly relevant to the central thesis of the chapter: that there is a need for impartial government-driven reform of the private sectors in India and China.
- The cases concern two very different state ideologies – the Chinese Communist Party and the Indian democratic government – and thus are useful for contrast.
- Both cases deal with corruption in the private sector and in government bureaucracies; and both point to avenues where reform might take place.
- They were chosen for the high visibility of their content. The construction and examination of both cases would not have been possible without access to a wide range of relevant reports in the international press and journals.

## **Data Processing and Analysis**

Analysing results was more based on opinion than on statistical methods. The respective data were collated into manageable forms and two narratives constructed around them, including examples. Some numerical data has been provided but the aim was to try to judge trends. Rather than dealing with facts, these studies were designed to provoke reasoned debate, without right or wrong answers.

## **Case Study 1**

### **China: The Case of the Dollar Billionaires**

#### **Summary**

The Chinese government conducts a campaign to rid SOEs of corrupt leadership, but pervasive corruption continues to damage the Chinese economy; and so far prosecutions have steered clear of the private sector in recognition of its importance to China's economic output and job creation. Western multinational companies (MNCs) in China operate by linear management and the rule of law. Chinese companies take a non-linear business approach in response to the Communist Party's influence, whose members are above the law. Hence, fear often drives decisions and outcomes.

## The Case

In 2015, President Xi's anti-corruption campaign was in its third year and causing a great deal of anxiety to wealthy business people in China, especially those with close ties to political leaders and other officials. Earlier that year a series of suicides was linked to the corruption crackdown; and in December 2015 a prominent tycoon, Xu Ming, was reported dead of a heart attack while in jail, despite being apparently in good health shortly before his imprisonment.

There are more dollar billionaires in China than in the USA. Some of their fortunes were earned honestly, some behave more like medieval European robber barons. Notwithstanding the remarkable growth of the Chinese economy over the last three decades, pervasive corruption continues to damage it. Smartphone-based services allow for easy transfer of money and disposal of illegitimate profits. Many Chinese employees of overseas companies in China routinely receive bribes for awarding business contracts.

In December 2014, Guo Guangchang, the Chairman of Fosun (a major private sector conglomerate), was reported to be 'assisting' in investigations by judicial authorities. Senior executives from at least 34 Chinese companies disappeared during 2015, and six of the top eight executives at CITIC Securities (a brokerage house comparable to Goldman Sachs) were held for questioning over possible wrongdoing. In January of that year, billionaire Zhou Chengjian, the Chairman of Metersbonwe, one of China's leading clothing companies, was picked up by the police, though later released. In June, Zhou Yongkang, a former security chief and head of a corrupt network of officials known as the 'petroleum mafia', was sentenced to life in prison. Wang Zongnan, chair of China's second biggest retail company, the state-backed Bright Food Group, was at the forefront of China's push overseas. Bright Food became the friendly face of Chinese investment; but by August 2015 Wang was in jail. A Shanghai court found him guilty of embezzling 195 million yuan (\$41 million) and sentenced him to 18 years in prison. Wang's fall from grace might be related to his close links to former Chinese president Jiang Zemin, whose political faction holds significant power within the Party and has clashed with current President Xi over his anti-corruption campaign, which remains a divisive issue.

In September 2015, Song Lin, a former chairman of China Resources Group, a state-owned conglomerate, was prosecuted. In October, Su Shulin, a former chairman of Sinopec, a state-run oil company, was under investigation. Su had been serving as governor of Fujian province, the first incumbent of that rank to be targeted in Xi's campaign. In November, Xu Xiang, an

aggressive private fund manager – regarded as China’s ‘George Soros’ – was arrested for alleged inside trading. Five days later, Jiang Jiemin, the former head of PetroChina, another state-controlled petroleum firm, was sentenced to 16 years in jail; and in the same month Chinese media reported the arrest of Sam Pa, a middleman in resource deals done in Africa by Chinese state-owned firms.

There have been rumours that these recent arrests of business leaders signal a broader anti-corporate campaign in which Xi is following Vladimir Putin’s tactics against Russian oligarchs. However, Putin’s attacks had nothing to do with fighting corruption within his political party; on the contrary, he handed over the confiscated assets to his political supporters.

Xi’s approach apparently has been different; an attempt to rid the SOEs of corrupt leadership. Of more than 100,000 people indicted for bribery since Xi became leader in 2012, most are politicians and officials, not private businessmen. Some entrepreneur middlemen, like Sam Pa, have been arrested; but so far prosecutions have steered clear of the private sector.

If anything, Xi’s government has been supportive of Chinese business. Internet giants have been encouraged to expand into the provision of government-related services. The government has cut red tape and made more credit available to start-up firms – partly due to acknowledgement of the private sector’s importance; it produces about two-thirds of China’s economic output and creates almost all new urban jobs.

In the short term, economic growth in China has been slowed by bureaucratic officials, government representatives and diplomats reluctant to proceed with business deals for fear of being branded corrupt. On the one hand, they do not want to appear critical of a campaign that, taken at face value, is cleaning up the way business is done in China. At the same time, they are being very cautious about the nature and level of that cooperation.

Western MNCs in China are motivated by profit traditionally to hold two tenets of business practice, linear execution and the rule of law: managers formulate strategy, methodically implement it and then sustain the resulting competitive advantage, restrained from arbitrary exercise of power by well-defined and established laws.

On the other hand, Chinese companies have had to adopt a highly non-linear business approach as a result of the Chinese Communist Party’s massive and unpredictable influence on all aspects of business society. Moreover, certain individuals and institutions that form the ruling elite in China have been, and continue to be, above the law because of their political affiliation in a one-party state. Laws and court judgements are applied with minimal transparency and at times arbitrarily. As a result, fear often drives decision-making and outcomes in relationships and businesses in China.

## Analysis

The focus of the case study is on the need for government-instituted reform of the private sector, so that organizational leaders will have incentives both to pursue profit and be accountable for their business decisions.

In the long term, theoretically, a cleaner and more predictable business environment should emerge as a result of Xi's campaign; but any fight against corruption depends on transparency, which is still seriously clouded. Chinese leaders seem to believe they can control the Internet by maintaining a strict firewall and massive surveillance to stifle dissenting political or social voices – even proposing a range of new restrictions on free speech and new controls on Internet providers. It is simply not possible to build a commercial Internet while shutting down other forms of expression using the same technologies.

## Alternative Solutions

Towards the end of 2015, China's State Council and Communist Party Central Committee published new guidelines for reforming the SOEs by more informal Party influence rather than formal state interference.

These new guidelines restate the role of the Chinese Communist Party in leading SOEs to become independent market entities, consistent with good governance in OECD economies (Hubbard, 2015). Independent boards of directors should be no longer subject to undue interference from government departments or organizations. Privatization, under the guise of 'mixed capital', is encouraged – in which price mechanisms and economic planning are used side by side – not as a political objective to reduce the power of the state but to use the market as a tool to improve the performance of state assets.

## Conclusion

Commitment to isolating business management from the state does not include insulating the private sector from the ruling Party. According to the new guidelines, the chairman of an otherwise independent board of directors would also be the secretary of the Party Committee, responsible for management training and leadership selection; and with the power of veto on any matter of political significance.

## Case Study 2

### India: Ramalinga Raju and the Case of the False Accounts<sup>1</sup>

#### Summary

The founder of an Indian IT services company was held to be a shining example of Indian entrepreneurship. However, following a number of complaints of dishonesty, he resigned from the board, was later arrested, together with other executives, including family members, and all confessed to creating fraudulent corporate balance sheets. The scandal was described as one of the worst-ever crises to hit corporate India and brought into question the level of corporate governance. The government intervened, the entire board was dismissed and government representatives appointed a new board before engineering a takeover by another Indian firm. Raju and the former board members were fined and received long jail sentences. However, these were suspended on production of large sums of personal bond money and shortly afterwards Raju and his family were back in business.

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<sup>1</sup> Material for this case study was compiled from the following sources: Anjum, Zafar. Sep 10 2012. The resurgence of Satyam: The global IT giant. Random House India; <http://bbc.com>; 12 May 2015. Satyam Computers: India court suspends B Ramalinga Raju sentence; <http://bloomberg.com>; Aug 19, 2010. Satyam Founder Raju Granted Bail by Indian Court; <http://business-standard.com>; January 08, 2016. Satyam Scar Lingers Even After 7 Years; <http://businesstoday.in>; September 11, 2015. Satyam case: Sebi slaps penalties on Raju's family; August 20, 2015; Ramalinga Raju's family gets back into business; May 12, 2015. All you need to know about Satyam scam. <http://deccanchronicle.com>; 09 Apr 2015. Satyam scam verdict: Founder Ramalinga Raju found guilty, gets 7 years imprisonment. <http://dnaindia.com>; May 13, 2015. Satyam case: Ramalinga Raju, nine others released from prison. <http://economictimes.indiatimes.com>; April 19, 2015. Satyam case: Ramalinga Raju's lust for land tripped him <http://financialexpress.com>; April 21, 2015. Court rejects Satyam founder plea. <http://firstpost.com>; Apr 11, 2015. A case for a thorough probe into Satyam: Did Raju divert funds to Maytas? <http://hindustantimes.com>; Apr 09, 2015. Truth of Satyam: Timeline of a corporate fraud <http://in.reuters.com>; Jan 03, 2013. Ex-directors of Satyam win ruling in US class-action suit. <http://indiatimes.com>; July 15, 2013. Satyam: Time for a fresh start. <http://indianexpress.com>; May 5, 2015. Satyam case: B Ramalinga Raju moves sessions court against conviction. <http://ndtv.com>; September 11, 2015. Exchanges ask members not to allow Ramalinga Raju family trade in markets <http://news.bbc.co.uk>; 22 Jan 2009. Satyam 'padded employee numbers' <http://outlookindia.com>; Apr 13, 2015. Satyam scam kingpin Ramalinga Raju challenges court verdict. <http://samachar.com>; Apr 10, 2015. Satyam scam verdict? Who cares? <http://sify.com>; Apr 9, 2015. Satyam fraud: Why Ramalinga Raju was forced to confess. <http://thehindu.com>; Apr 10, 2015. Ramalinga Raju cites social service in plea for leniency; <http://timesofindia.indiatimes.com>; Apr 9, 2015. Who is Ramalinga Raju? <http://zeenews.india.com>; Nov 26, 2009. Ramalinga Raju world's 4th most outrageous CEO: Forbes Nag, Kingshuk. July 26 2012. The double life of Ramalinga Raju: The story of India's biggest corporate fraud. HarperCollins Publishers.

## The Case

On June 24, 1987, Byrraju Ramalinga Raju founded Mahindra Satyam Ltd, an Indian IT services company based in Hyderabad, India.

Satyam means 'truth' in Sanskrit; and many clients were willing to do business with Satyam because of trust in Raju's professional image. The softly spoken, Western-educated MBA graduate stood as an image of India's new economy and a shining example of Indian entrepreneurship.

Satyam became India's fourth-biggest software firm; in 2001, it was listed at NASDAQ; and in 2008, its revenue exceeded US\$2 billion. In October 2008, the company received an award from a group of Indian directors for excellence in corporate governance.

In 2004, Leena Mangat, a retired bank employee and a pensioner, invested her retirement benefits by buying nearly 200 shares in Satyam at Rs 190 a share. When she tried to sell them five years later, she found to her distress they had fallen to Rs 110 a share. She became even more upset after watching a TV press conference in which a Satyam representative neither expressed regret nor announced any steps to correct the share slide.

On January 9, 2009, Leena filed a First Information Report, a formal complaint, against Ramalinga Raju and the auditors of Satyam, at the office of the director general of police at Hyderabad; and around the same time, Gokul Prasad, the proprietor of an investment savings consultancy, lodged a complaint with the city police commissioner's office at Basheerbagh in Hyderabad against Raju and Satyam's board of directors. He accused them all of cheating, forgery, falsification of documents, conspiracy, dishonesty and fraud. His and Leena's complaints were sent from the Hyderabad city police to the Criminal Investigation Department.

The same year Raju tendered his resignation as chairman of Satyam and revealed a number of false accounts – including some \$1 billion (£663 million) in fictitious reserves. At the time of his confession, he owned at least 9,000 acres of prime land across cities including Hyderabad, Bengaluru, Chennai and Nagpur. He bid successfully for the Hyderabad Metro Rail project in the hope of acquiring the real estate that came with the deal, but his tactics failed in the aftermath of the global financial meltdown of 2008. The value of his land-holdings almost vanished, but apparently he had persuaded senior politicians to invest in his real estate, and with the 2009 elections coming up, they were asking for their money. He could not return it and was forced to confess.

He admitted that the Satyam corporate balance sheets were loaded with 'fictitious' assets and 'non-existent' cash over years of inflated profits. In trying

to cover up losses, he became caught in a vicious cycle of lies and debts. He said his attempts to hide the losses from investors and shareholders were like 'riding a tiger, not knowing how to get off without being eaten'.

Investors in all Indian shares were stunned by Raju's revelation that he had effectively cooked the books of his firm for years. Satyam stock shed 82% on the news, dragging down India's main stock market by 7%. Analysts reported the scandal as one of the worst-ever crises to hit corporate India. Potential consequences were dire at a time when the country was hoping to attract foreign investors since Satyam was not only listed on Indian stock markets but was also the first Indian technology firm to list in New York.

The scandal came at a tough time for Indian companies, already hit by the global slowdown and faltering growth in one of Asia's 'tiger' economies. For days, outside the Bombay Stock Exchange, gossip was rife in the chai stalls and sandwich stores on how Ramalinga Raju had managed to get away with this billion dollar fraud. Many financial managers were particularly dismayed that the biggest ever corporate crime in the country could have continued unnoticed for so many years. It brought into question the levels of corporate governance in the country and cast an ugly shadow on the overseas image of the Indian industry.

According to Raju, about \$1 billion, or 94% of the cash on the company's books, was fabricated, and analysts suggested that it was this manipulation of cash flow that might have been one reason why the deceit was undetected. Another argument was that the chase for huge profits and the desire to keep up with the break-neck speed of India's \$50 billion outsourcing industry's growth rates may have been behind Raju's motivation for criminal activity.

Satyam was a publicly traded company, but in exceptional circumstances the government can intervene: and to keep the company operating, government representatives appointed a new board on January 12, 2009, two days after the entire board of Satyam was dismissed. Shareholders still lost money, but wider fallout was limited; the jobs of 50,000 Satyam workers were saved and the government engineered a takeover by another Indian firm, Tech Mahindra, which bought a controlling stake in the company in April 2009. In March 2012, Tech Mahindra and Mahindra Satyam announced plans to merge, creating one of India's biggest software companies.

In January 2009, Raju was arrested with his brother Rama, a former Satyam director, on charges including criminal conspiracy, forgery, criminal breach of trust and falsifying documents. Raju was jailed, but spent nearly a year of his prison term in hospital being treated for hepatitis; and in

November 2011, the Supreme Court granted Raju bail after the Federal Central Bureau of Investigation (CBI) investigators failed to file charges in the set time.

It was not until April 2015 that Raju and nine others were found guilty, including two of Raju's brothers. Court papers filed by India's stock market regulator attested that Raju, with 13 other friends and family, made about \$400 million in illegal wealth by cashing in on a surging share price, off-loading stakes in Satyam at a high price and making substantial profits, despite knowing that accounts were overstated.

Sentences to imprisonment ranged from 6 months to 1 year for 84 directors of 19 companies floated by Raju's relatives and friends. His wife Nandini Raju, his sons Teja and Rama, and the wives of Ramalinga Raju's younger brothers were among those convicted.

Raju denied charges of conspiracy, cheating and forgery but admitted to accounting malpractices. He was sentenced to 7 years in prison. The Hyderabad court also found Raju's brother and ex-Satyam managing director, B. Rama Raju, as well as eight others, guilty and sentenced them to 7 years in prison. Raju and his brother were each fined Rs 55 million (about US\$890,000).

On April 9, 2015, Raju – whose former life was one of power and pride, including meetings with world leaders such as the then US President Bill Clinton – was lodged in the Cherlapally Central Prison. Ramalinga Raju was condemned to share a prison cell as a convict.

The CBI then filed an appeal in the metropolitan sessions judge court in Hyderabad, asking that the prison terms for all 10 accused, including Raju, should be increased to 14 years in view of the magnitude of the crime and the serious consequences it had on the industry. Since the trial court had no power to award more than 7 years jail, the CBI urged the court to impose two consecutive sentences, to reach a total of 14 years.

However, Raju filed appeals challenging his conviction and the sentences. His lawyer described the trial as unfair because instead of being dealt with like all other criminal cases, the court had heard the case on a daily basis and had 'rushed to conclusions'. Further, the CBI, though originally calling 640 witnesses, then dropped 400 of them, which the trial court accepted without question – giving rise to suspicion that the decision was made only to get a conviction as quickly as possible.

In May 2015, a metropolitan sessions court in Hyderabad granted bail to Raju and nine others and suspended their sentences on their furnishing personal bonds of Rs 1 lakh each (about 250,000 euros) and two sureties of the same sum.

By August 2015, the family of Ramalinga Raju was back in business – Raju was reported to have no investment in the venture and no role or official position – with the launch of a new company, CallHealth. It was promoted by Sandhya Raju, Raju’s daughter-in-law, as a super-market of healthcare services, a first-of-its-kind healthcare services aggregator.

## **Analysis**

This case illustrates the need for transparency in the dealings at all levels of government and corporate governance in India – and elsewhere – to reduce the likelihood of corruption. There should not be any discretionary power and all officials should be made accountable for their omissions and commissions. The danger of Jugaad is exactly that: lack of transparency. For example, though a federal criminal investigation agency found that Raju and his team deserved long prison sentences, and these were imposed, a Hyderabad court then suspended them all on lodgment of large bonds and shortly afterwards the family of Ramalinga Raju was back in business.

## **Alternative Solutions and Conclusion**

The case does reveal also that government intervention can mitigate disasters in the private sector by rapid intervention. Indian government representatives kept Satyam operating under a new board, and though shareholders still lost money, 50,000 jobs were saved, and in the long term a new corporate entity emerged from the ashes of the old and became again one of India’s biggest software companies.

## **Findings and Conclusion**

### **Comparisons and Contrasts between the Two Cases**

Both cases were chosen as examples to illustrate the difficulties of government-instituted control over corruption in the private sector; that the extent of success depends on the relationship between government and private enterprise, and on their power over each other.

In each case, it is clear that the Chinese and Indian governments are aware of, and are more (in India) or less (in China) constrained by recognition of the private sector's importance to economic output, job creation and international image. Also both cases reveal the presence and the influence of corrupt bureaucrats and politicians. One difference is that the business decisions of Chinese organizational leaders are taken in the light of the Communist Party's power over them, whereas their Indian counterparts in local and state governments have a great deal more latitude.

Wu (2012) has argued that there are three major options for change in developing economies such as China and India: increase privatization; introduce and encourage competition; and reform any managerial and institutional corruption. Corporate leaders must have incentives to pursue profit; but also they must be held accountable to society for the legitimacy of their business decisions. It is not enough that right should be done, it must be manifestly apparent – otherwise organizational leaders set a bad example from the top all the way down the hierarchies of command and control and out into society (Christopher, 2012; p. 108).

One conclusion is that entrenched bribery and corruption are almost inevitable in organizations without a high corporate 'moral tone' – sounded from the most senior levels of leadership. Moreover, internal awareness, apparently, is not sufficient to ensure good governance. The hard light of public scrutiny is needed, together with serious governmental response, to report and verify instances of wrongdoing.

A major possible solution to the kinds of malfeasance described in both the Indian and Chinese cases above is that all business procedures and processes involving interface with government should be automated. Doing away with person-to-person interface (as far as possible), especially for approvals, services, licences, etc., would greatly reduce the scope for Jugaad – cutting the corners in business deals that lead to corruption.

Jones (1995) claims that the leadership style of Jesus Christ ran counter to most modern ideas of effective management. She refers to Jesus as a CEO who took a disorganized team of 12 members and built a global enterprise. She suggests that modern managers should make use of ancient wisdom for visionary leadership, embedded in spirituality and ethics; the strengths of self-mastery, willingness to act and the ability to create binding relationships.

Jones might also have quoted Ghandi, whose visionary leadership was based on exactly those principles and motivated an entire nation and millions of people all over the world: or Confucius, who for thousands of years has deeply influenced spiritual and political life in China. The main principles of Confucianism (whose influence has extended also to Korea, Japan and



**Fig. 1** The Chinese character that signifies *de* (virtue)

Vietnam) are *ren* ('humaneness' or 'benevolence'), signifying excellent character in accord with *li* (ritual norms), *zhong* (loyalty to one's true nature), *shu* (reciprocity) and *xiao* (filial piety). Together these constitute *de* (virtue) (Fig. 1).

## Limitations and Future Research

All research is limited by its own boundaries. More research is needed on anti-bribery and corruption policies in general, either standing alone or covered under codes of conduct policy; on anti-bribery and corruption-related training for managers; whistleblowing mechanisms to report corruption issues; and government anti-corruption policies and campaigns.

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# The Dark Side of Leadership: The Role of Informal Institutional Framework on the Negative Moral and Ethical Behaviors of Leaders in Organizations

Bekir Emre Kurtulmuş

## Introduction

It is a general perception in the related literature that strong leadership is a good and positive thing. Scholars tend to write about leadership as if it is always positive, ethical and high in morality that contributes to good and socially responsible behavior of organizations (Boddy, Ladyshevsky, & Galvin, 2010). However, since the last two decades or so scholars have been increasingly researching the 'dark side of leadership' (Griffin & O'Leary-Kelly, 2004; Griffin & Lopez, 2005; Furnham, Hyde, & Trickey, 2014). The dark side of leadership represents unethical and immoral decisions that are made by leaders within organizations. Leaders' strategic vision, management and communication skills and their management practices are the three particular areas that contribute to the negative side of leadership.

Leaders' decisions can make immense differences for the followers as they could make purely good or evil decisions (Herbst, 2014). Followers look to their leaders for guidance when they face ethical problems (Brown & Mitchell, 2010). Immoral/unethical leaders posit attitudes like lying, blaming others for their mistakes, harassment and physical aggression (Maynard et al., 2013).

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Personal characteristics of leaders have a very strong impact on their behaviors within the social construct made by the members of an organization. Leaders' own desires and personal goals might be different from those of organizations, which can create problems for the organization. They could exert greater control and ignore others' warnings about ethical concerns during crisis times that may incline them toward unethical/immoral decisions.

Most organizations put enormous pressures on the leaders for better performance outcomes on both financial and nonfinancial performance criteria. This may lead leaders to be inclined toward unacceptable behaviors as, in many cases, unethical or immoral decisions may provide better performance outcomes. This creates a dilemma for leaders. It is difficult for them to be ethical and appreciate different stakeholders while they are under the strong influence of informal institutional framework.

This is a challenging dilemma and requires a complex outlook to the issues involved. However, for the context of the chapter we will look at how informal institutional framework limits and shapes leaders' behavior. Furthermore, it is expected that as much as limiting leaders' unethical and immoral decisions, part of the informal institutional framework might actually provide legitimacy to leaders' unwanted behaviors.

Furthermore, most of the leadership studies rely on a North American context and informal institutional framework can be completely different from context to context. There is a need for Asian scholars to explore how a particular context may impact leaders' – through norms, values and limitations that are created – ethical behavior and morality and, consequently, contribute to the negativity in leadership.

## Literature Review

### The Dark Side of Leadership

In order to describe the dark side of leaderships, different terms are simultaneously employed by scholars such as toxic (Lipma-Bluemen, 2008; Furnham, 2010), dysfunctional (Hogan, Raskin, & Fazzini, 1990; Judge, Piccolo, & Kosalka, 2009; Wu & LeBreton, 2011), destructive (Einarsen, Aasland & Skogstad, 2007), aversive (Bligh et al., 2007) and tyrannical (Ashford, 1994).

The majority of research in leadership considers successful leaders as charismatic, heroic and transformational visionary (Tourish, 2013). It is a strong and arguably misguided belief that transformational leadership is

necessarily a positive and good thing. Nonetheless, this assumption leads to another belief that leaders should be given more power than they need in order to reach to success for their followers. However, the sense of being powerful may cause leaders to incline toward cheating, hypocrisy and risky behavior. Hence, they also perceive their powers as legitimate (Tourish, 2013). Moreover, there are underlying personal sources for the dark side of leadership; pride, selfishness and self-deception (McIntosh & Samuel, 2007) and personal traits also have a direct impact on ethical leadership (Brown & Trevino, 2006). Furthermore, the so-called dark triad of personality, Machiavellianism, narcissism and subclinical psychopathy, are also one of the main sources of the dark side of leadership (Furnham, Richard, & Paulhus, 2013).

The aforementioned personalities are described as aversive but within the normal range of functioning. They are also called offensive but nonpathological (Paulhus & Williams, 2002). In fact, some research found cases that one or more dark triad behaviors provides advantages in the workplace. In that, Hogan (2007) discusses that it helps people to get ahead of other people. Similarly, narcissism of CEOs found to be positively correlated to strategic dynamism and grandiosity but causes fluctuated performance (Chattarjje & Hambrickk, 2007). Furthermore, narcissism is well paid in the context of self-promoting interviews but in the right cultural context (European heritage advantage) (Paulhus et al., 2013). Narcissists also tend to be leaders in newly created groups (Brunell et al., 2008). Successful psychopaths can be easily found among senior levels in organizations (Babiak 2007). In fact, they are more common at senior level than junior (Boddy, Ladyshevsky, & Galvin, 2010).

However, among all these arguments the majority of research argues that the dark side of leadership eventually leads to failure (Lubit, 2004; Furnham, Richards, & Paulus, 2013). Subclinical psychopaths in higher positions can cause different moral and ethical problems for corporations due to their ruthless, selfish and conscience-free approach (Boddy, Ladyshevsky, & Galvin, 2010). Similarly, recent research found that grandiose narcissism is correlated with unethical behaviors of leaders (Watts et al., 2013). It is discussed that narcissism causes higher white-collar worker crime (Blickle et al., 2006). It is a bad leadership decision to bully, harm and have a total disregard to the welfare of others (Perkel, 2005).

Having subclinical psychopaths in large organizations, particularly in leadership positions, might have a negative and harmful effect on the final outcome of ethical decisions (Boddy, Ladyshevsky, & Galvin, 2010). It should be recognized that many ethical decisions in large organization are

usually taken by individual leaders, whose values and morality have a great impact on final outcome. Furthermore, individuals decide whether to follow corporate social responsibility practices or not. In social construct, followers may follow leaders in order to gain personal favors and do not question ethical and moral consequences of decisions (Johnson, 2005) So, it is logical to interpret that it is the individual's ethical position that determines if ethicality and morality of the decisions are acknowledged (Boddy, Ladyshevsky, & Galvin, 2010).

## Ethical Leadership

The concept of ethical leadership is a valuable construct that helps us to understand how actual leaders should behave or how they are expected to behave by society. When we discuss the dark side, it is also necessary to understand the ethical side. These two constructs are on opposite sides of the spectrum. Perhaps, in a perfect world everyone is expected to be more ethical and moral but in reality they are not.

Almost all leadership studies consider the ethical side of the decisions taken by leaders (Brown & Trevino, 2006). Ethical leadership construct, different to others, is not only drawn from personal traits but married with social learning theory (Mayer et al., 2009). Modern organizations demand leaders to implement and follow strong ethical practices (Stouten, van Dijke, & De Cremer, 2015). Ethical leadership is associated with positive transformational culture of organizations (Toor & Ofori, 2009), positive employee organizational commitment (Zhu et al., 2004) and enhanced justice climate (Walumbwa, Hartnell, & Misati, 2015)

Leadership without any ethical conduct can be dangerous (Toor & Ofori, 2009). Perhaps, the concept of ethical leadership is best captured by Brown et al. (2005, p. 120): 'The demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making'. However, engagement into ethical actions could sometimes be a difficult practice. Making ethical decisions might have negative performance consequences and most leaders in profit-based organizations are under significant pressure for profit maximization. Hence, it might be avoided (Piccolo, Greenbaum, & Eissa, 2012).

Leaders can have a strong impact on employees' behavior inside organizations. Thus, ethical decisions made by employees are greatly influenced by

the one who leads (Grojean et al., 2004; Brown & Trevino, 2006). Moreover, the process of creating an ethical organizational culture and climate is greatly influenced by executive leaders. Social learning theory assesses that power and positions are strong components that enhance the likelihood of leaders to be taken as a role model by the others. In that, executive leaders have strong positions, power and one of the most likely candidates to be taken as a role model within large organizations (Jordan, Brown, Treviño, & Finkelstein, 2013).

## Informal Institutional Framework

One of the strongest influences of human interaction within social construct is institutional framework. North (1990, p. 3) describes institutions thus: 'Institutions are the rule of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic'. There are two components of institutional framework, formal and informal. Formal institutions shape human behavior through rules, regulations and laws. It enforces people to act in certain ways. They are established by the one who has the power to create the rules. This can be governments or perhaps in smaller scales organization itself. The key point here is that these are written and enforced by someone who has legitimate power to establish and, more importantly, enforce them.

'Informal institutional framework' somehow is a more comprehensive term than culture itself (North, 1990). The term comprehends anything unwritten that shapes the human transaction and consequently behavior. The main difference between formal and informal institutional framework is that the formal one is written and enforced and the latter is created by mostly cognitive factors that are learned since childhood. Informal institutional framework's role is to create limitation and shape individuals' attitudes. Informal institutional framework consists of norms, traditions, customs, values and religion.

Informal institutions are not only the creation of the society or social group. They are the products of unconscious minds (Williamson, 2005). It is interconnected with formal institutional framework and it evolves slowly (Williamson, 2000). Informal institutions influence individuals through regulative and incentive mechanisms that strongly affect individuals' psychological actions. As such, informal institutions provide a framework where individuals behave in alignment with certain norms and regulations provided

by the external or internal environment. Probably one of the most influential roles of informal institutions is to explain, identify and categorize values into groups, such as good/bad, moral/unmoral, ethical/unethical, in which individual roles are evaluated. In that, also group and leader behavior is shaped due to pervasive influences of the framework on individuals (Salimath & Culen, 2010).

## **The Role of Informal Institutional Framework on the Negative and Unethical Leader Behaviors**

It could be clearly seen in the above discussion that leaders and followers should make ethical decisions. Corporations cannot create a perfect formal framework that each individual must or should follow. It is partly because decisions that need to be taken are sometimes ambiguous and outcomes cannot be easily predicted. There is also a problem that power holders – leaders in this context – may be reluctant to follow appropriate conduct due to the fact that organizations are profit based. Such organizations usually focus on profit maximization and tend to offer extra bonuses and incentives to leaders in order to reach that. If profit maximization cannot be realized, then the top managerial level may pay a heavy price. Therefore, taking ethical decisions can become challenging. This is the main context where leaders should make ethical decisions.

However, this is only the tip of the iceberg. Organizations are social constructs (North, 1990) and decisions should be taken by considering that. Decisions taken by leaders may need social confirmation from organization members if they become an ethical dilemma. The aforementioned confirmation can be provided by the alignment with informal institutional framework. Individuals within the group use such confirmations as a reference point whenever any decision becomes ambiguous (Di Maggio & Powell, 1983). If a decision was taken against accepted norms or values, then the group/society would punish the decision makers by soft power such as exclusion from social groups. This is how informal institutional framework operates.

Individual values and moralities are partly products of society. As a part of informal institutional framework, culture operates at three main levels: individual, group/organizational and national level (Hofstede, 1980). However, this creates a framework, which shapes behaviors (North, 1990). There is no hard enforcement of power here but punishment might be more severe for individuals. Therefore, it becomes crucial that unethical and

immoral decisions are made normal in informal institutional framework. This provides legitimacy to decision makers and they may think their wrong action is normal. This is how individuals slowly shape and change informal institutional framework.

Furthermore, if certain conduct is deemed inappropriate by informal institutional framework it would be difficult for decision makers to undertake it. This is because the enforcement power of informal institutional framework is soft but arguably punishment is heavier for individuals (North, 1990). Exclusion from social groups may be one of the main outcomes but not the only one. Followers may not voluntarily infringe the informal institutional framework because usually it is established so strongly that it becomes law-like. However, there is no enforcement through hard power.

This is expected to prevent leaders from making unethical and immoral decisions. Nonetheless, perhaps in a certain context the aforementioned behaviors would be deemed appropriate or, more accurately, reasonable and acceptable. For example, in some countries, this is an established problem – in some Asian countries, giving a bribe does not seem inappropriate because it is accepted as ‘normal’ by informal institutional framework and perhaps seems the only way of conducting business activities. Similarly, lying for business activities might be ‘accepted’ in many different contexts. This is accepted because informal institutional framework provides legitimacy to such unethical/immoral attitudes. However, according to American laws corrupting overseas countries’ officials by American companies is deemed a crime – The Foreign Corrupt Practices Act of 1977.

## Research Methodology

The study primarily relies on secondary data. The different sources are reviewed in the related literature. The related cultural attributes are identified from various empirical studies (Hostede, 1980; Schwartz, 1994; Trompenaar, 1993; House et al., 2004). The aforementioned sources are one of the best tools to describe and explain the relevant cultural context. It should be remembered that North (1990) described culture as the most important context for informal institutional framework. Therefore, identifying culture is one of the most important steps for describing informal institutional framework. This is supported by the studies on Islamic work ethic. For that reason, the study solely relies on secondary data.

## Discussion and Implication

### The Dark Side of Leadership in Asia

So how is the case in Asia? Asian countries consist of several different cultural clusters and each of these clusters creates a different informal institutional framework. Consequently, leaders operate in different frameworks. So each country perhaps should be evaluated under their own conditions. However, similarities can be observed as the countries may share similar cultural attributes and religions. Furthermore, understanding how informal institutional framework operates would help us to understand how under different conditions leaders would behave in Asia.

Informal institutional framework is different from context to context. Therefore, this study would focus on a single Asian country. However, the similar effects of informal institutional framework can be seen across countries. Nonetheless, these effects present themselves in different ways. The study will focus on Turkey to show how in this particular Asian country informal institutional framework influences leaders' unethical/immoral decisions.

Perhaps implementing cultural attributes provides a valuable understanding for informal institutional framework. The aforementioned attributes identify differences across cultures. Hofstede (1980), Trompenaars and Turner (1998), Schwartz (1994) and GLOBE (House et al., 2004) are some of and arguably the most influential studies that have been implemented to see the differences between cultural attributes. Apart from cultural attributes, perhaps it is also important to see how religion influences individuals through limitations. Particularly, certain religions such as Catholicism and Islam tell believers what to think and how to act. They are perfect examples of cognitive limitations because alignment is voluntary and there is no enforcement. This situation can be clearly seen in Turkey as religion cannot be forced and it is an individual's choice to follow the rules.

### Informal Institutional Framework in Turkey

In order to understand the role of informal institutional framework and its impact on leaders' unethical and immoral decisions, two different factors will be considered. The first one is cultural dimensions.

Informal institutional framework is somehow a more comprehensive term than culture itself (North, 1990). However, culture is actually one of the most important and comprehensive parts of the aforementioned framework. Therefore, implementing the cultural dimensions is focal point for the understanding of existing informal institutional framework.

The study will also identify the role of Islamic work ethic. The term itself is quite close to Weber's (2002) Protestant work ethic and can be observed across the Asian countries. It is also similar to universal work ethic and can be seen in other belief systems. It has seven different items – much like the Protestant work ethic: a fair distribution of wealth within a society, hard work, honesty and justice in trade, encouragement of capturing new skills, strong dedication to work, acceptance of the fact that without work life is meaningless and, finally, that individuals should regularly engage in work or work activities. In cultural cluster studies, the country is clustered in near eastern cultural group – Iran and Greece (Kogut & Singh, 1988) – as well as South Eastern Asian clustered groups – Iran, India, Malaysia and Thailand (House et al., 2004).

Turkey has a high-power distance and a collectivistic culture according to Hostede's (1980) and GLOBE (House et al., 2004) study that create inequalities among the members. As a result of those leaders' and followers' behaviors, attitudes and relationships shape accordingly. Pasa, Kabasakal and Bodur (2001) found that the most important dimension of the aforementioned cultural framework is collectivism for leaders in the Turkish business environment. In that, superiors are often inaccessible and existing organizational structures are mostly hierarchical. Power that individuals hold within firms is highly centralized and followers strongly rely on leaders in ambiguous situations. In fact, in most cases they need to be told what to do. Consequently, being part of a group is crucial. This further strengthens leaders' positions, as in such circumstances groups tends to follow orders more willingly. Loyalty is paramount among group members. Moreover, consensus among group members is equally important. Competition is not well considered. Uncertainty is not desired, which further strengthens followers' positive attitude toward leaders.

Islamic work ethic behavior shows that Turkish managers have a tendency toward Islamic work ethic standards as two separate studies (Arslan, 2001; Kurtulmuş & Warner, *in press*) found that in the workplace Turkish managers highly value Islamic work ethic practices as the first of these studies

found mean = 5.0001 and the latter found mean = 5.5521. These two results identify a high appreciation of ethical work practices among Turkish employees.

In these circumstances, informal institutional framework in the country strengthens leaders' positions. It is difficult to question their actions. Followers are expected to obey the given orders and disagreement with leaders is not well perceived. Exclusion from an existing group is one of the heaviest punishments. Therefore, going against any unethical/immoral decision without group's approval is difficult. However, there is also the role of the Islamic work ethic. The problem with the aforementioned religious aspect is that, much like Protestant work ethic, there is no clear indication creating a framework to be ethical/moral.

## Conclusion

Informal institutional framework is one of the strongest determinants of the individuals' behavior as is suggested in the related literature (North, 1990; Scott, 2004, Suddaby, 2010). Furthermore, it also has a strong impact on morality and ethical behaviors of the power holders. However, distribution and control of power amongst the leaders and group members is different from context to context. This means the relationship between formal institutional framework and informal institutional framework is different from one environment to other. Consequently, leaders' behavior and attitudes toward ethicality and morality become context dependent.

However, the country provides an informal institutional framework where questioning leaders' behavior is difficult. Their power is strong. This situation is further strengthened by the fact that being a member of a group is very important for individuals. As a result of that, individuals within the group should act according to group consensus. If an individual goes against that, there may be punishment and arguably this would be worse than hard power. Therefore, leaders receive a very strong power and their action might not be questioned most of the time. If a leader shows any of the dark leaders' traits, informal institutional framework might not control their actions. However, in this case creating a stronger formal institutional framework for an organization, such as a code of ethics, could be a possible solution or at least a reference point for individuals.

The case at hand provides a unique environment as it is one of the few countries where religious limitations require complete voluntary alignment

among Islamic countries. This is important to be mentioned because religion is an important and integral part of informal institutional framework (North, 1990). Islamic work ethic is shown as an important determinant for ethical behavior and stand taking by leaders (Arslan, 2000). Nonetheless, similar studies should be conducted across other Asian countries in order to observe different conditions and more importantly to understand how different informal institutional frameworks would impact on different moral and ethical behavior of leaders.

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# The Dark Side of Leadership Practices: Variations across Asia

Duane Windsor

## Introduction

The dark side of leadership can be defined as the relationship between bad ethics/morality and self-serving leadership practices and associated leader traits. This dark side is ill-explored in detail although certainly recognized in leadership literature. Weak leadership may be as bad in its effects as dark leadership.

Two key problems in globalization concern (1) the relationship between proposed universal standards and culturally evolved norms for both ethics and leadership practices, and (2) the integration of culturally and economically diverse societies into a globalizing economy. The distinction between positive leadership practices and negative leadership practices has prescriptive and behavioral dimensions. The latter involves value-neutral empirical study of the impact of leaders on their followers in particular organizational contexts. The empirical relationship may or may not be universal. The prescriptive dimension, however, involves some presumption of universal ethical standards or at a minimum a universal conception of proper leadership in business, government, and civil society. Asia, in economic, political, and sociocultural transformation, provides a rich laboratory for study of cultural relativism, on the one hand, and social change influenced by

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globalization processes. Ethical theories address universal standards; behavioral ethics addresses empirical realities of morality among leaders and followers. Characterizing leadership effectiveness across these varying conditions is a challenging, but interesting, task.

## Literature Review

A task for the chapter is to assemble the key relevant literatures. There are three bodies of literature. A first body of literature concerns dark leadership and weak leadership. A second body of literature concerns the ethical dimension of leadership. A third body of literature concerns what is known about dark leadership and related topics in the various Asian countries.

### Dark Leadership and Weak Leadership

There is a vast literature on leadership. (Kellerman 2001 provides an essential reading guide.) One study reports multiple different theories, frameworks, and perspectives (Crossan & Mazutis, 2008). Nevertheless, evaluating and prescribing leadership practices and traits remains arguably quite ambiguous (Santora, 2007). There may be considerable overlap within the available theories. One recent meta-analysis of authentic leadership and transformational leadership theories drew on 100 independent samples and 25,452 individuals (Banks et al., 2016). The meta-analysis found a very high relationship between authentic and transformational leadership, such that neither construct adds significant incremental validity beyond the other construct. While authentic leadership has a lower relative weight for follower satisfaction outcomes, authentic leadership has a higher relative weight for predicting group or organization performance and organizational citizenship behavior. As a result, the two constructs cannot simply be combined.

Historically, political leadership literature had tended to focus on dark side issues and effects of weak leadership – illustrated by Machiavelli's *The Prince* (de Alvarez, 1980). Burns (1978) introduced the modern positive theory of leadership, including a distinction between transformational and transcendental leadership approaches. There has been a subsequent modern literature, both conceptual and empirical, concerning dark leadership and weak leadership (Hogan & Hogan, 2001; Hogg, 2005; Judge, Piccolo, & Kosalka, 2009; Liu, Liao, & Loi, 2012; Mathieu, Neumann, Hare, & Babiak, 2014; Weaver & Yancy, 2010). This literature has advanced to measurement and

assessment as scientific basis for intervention prescriptions (McCleskey, 2013). Kellerman (2004a, 2005) has focused attention on the dark side and weak leadership, invoking Machiavelli's view in this regard (2004b).

## The Ethical Dimension of Leadership

The most relevant literature on ethical theories (Ciulla, 1995) in relationship to cultural (moral) relativism concerns integrative social contracts theory (ISCT), developed by Donaldson and Dunfee (1999). This theory addresses the relationship between universal standards and local customs in a social contracting perspective. The theory provides an approach for deciding what is prescriptively bad or tolerable. There is increasing empirical research into behavioral ethics, which concerns how people behave in fact as distinct from normative ethics about how they should act (Bazerman & Gino, 2012).

The present author has published prior work on the dark side of leadership, but that work has not focused on country and regional variations (Windsor, 2015b, 2017). The author has also published a study of moral exemplars in business (Windsor, 2013) and on how to address the ethical sphere within an organization, including businesses (Windsor, 2015a, 2016b).

## Asian Leadership Literature

There is a growing literature on global survey findings about leadership in relationship to culture. The GLOBE project looked at how cultural dimensions of institutional collectivism and power distance predict corporate social responsibility (CSR) values of top management in 561 firms from 15 countries on five continents (at least 40 firms per country) (Waldman, de Luque, Washburn, House, Adetoun, & Barrasa et al., 2006). The longitudinal study also found that CEO visionary leadership and integrity were uniquely predictive of CSR values. The study countries included China, India, and Taiwan in Asia.

There are two literatures about Asia. One literature is a regional perspective about Asia as a whole. Within this literature, one approach considers similarities and differences between Western and Asian approaches (Liden, 2012). However, Liden relies largely on China as an example of Asia. Liden argues that research should not try to develop theories and measures unique to each country, but rather should try to identify moderators explaining relationships among antecedents, leadership, and outcomes using

respondents from multiple cultural contexts. The emphasis then should be on identifying universal conditions and domains. While Asia involves a wide variation in cultures across a large geographical region, some research suggests that those cultures generally tend to emphasize ‘power distance, paternalism, collectivism, and social relations’ (Long, Huang, & Lau, 2012). Long *et al.* suggest that (1) a number of mainstream (or Western) leadership theories may be applicable while also there are unique processes and effects in Asia requiring context-specific leadership constructs, (2) leadership does affect organizational outcomes in Asia, and (3) there is a strong emphasis on family and social ties in Asian firms. Social networks appear to be important in much of Asia (Chua & Wellman, 2015a, 2015b), with *guanxi* in China being a specific and more studied variant (Chen, Chang, & Lee, 2015).

A second literature is by country, increasingly by in-country scholars. The reference list includes example papers on Hong Kong’s crony capitalism (Connor, 2014), India (Mohanty, 2016), Japan (Herbes & Goydke, 2016), North Korea (Lee, 2015), Singapore (Huat, 2016; Rodan, 2015), Taiwan (Zhu & Chung, 2014), South Korea (Hong, Cho, Froese, & Shin, 2016), and Vietnam (Tran, Fallon, & Vickers, 2016). The country literature remains dominated by the large volume of research on China (Beeson & Xu, 2016; Busse, 2016). Literature on leadership in China or North Korea is handicapped by the research controls imposed by a communist regime.

Cutting across these two literatures, there are some specific dimensions of inquiry important to assessing leadership in Asia. Corruption is a pervasive phenomenon in much of Asia (Huang, 2016; Quah, 2016). Political connections are reportedly important in Chinese business (Chizema, Liu, Lu, & Gao, 2015). There are active anticorruption campaigns in China (Gao, 2011; Li, Gong, & Xiao, 2016) and India (De & Kim, 2016). CSR is an increasingly important topic of practice and investigation (Chapple & Moon, 2005; Chatterjee, 2016; Zhu, Liu, & Lai, 2016). Special attention is required to state-owned enterprises, which can be quite important in various Asian countries (Musacchio, Lazzarini, & Aguilera, 2015; Huat, 2016; Tran *et al.*, 2016; Zhu *et al.*, 2016).

## Why Dark Leadership Is Bad Globally

One basis for identifying these three particular dimensions of dark leadership is that it is reasonably straightforward to establish that they lack a rational purpose in organizations and have unnecessary negative effects on people, organizations, and societies (Schilling & Schyns, 2015). These approaches to

leadership are morally wrong and organizationally and socially harmful. The empirical literature supports this conclusion for abusive management (Harris, Harvey, Harris, & Cast, 2013; Kaiser, LeBreton, & Hogan, 2015; Liu, Liao, & Loi, 2012). Schyns & Schilling, 2013; Zhang & Liao, 2015), internal politics (Mathieu, Neumann, Babiak, & Hare, 2015; Naseer, Faja, Syed, Donia, & Darr, 2016), and political connections (Chung, Wang, Huang, & Yang, 2016). This judgment is independent of country context, in my view.

## **Coping with Bad Leadership May Be Context Specific**

There is some literature on how to cope with and overcome dark leadership practices (Furnham, 2015; Gaddis & Foster, 2015; McIntosh & Rima, 2007). However, a difficulty in shaping prescriptions for coping and overcoming is context: on what basis do we know that what may work in Scandinavia will work in Southeast Asia (May et al., 2014). The regional and country literature has not developed sufficiently in Asia – or Africa or Latin America – to assess these prescriptions globally. This context specificity is the consideration addressed in the research methodology of this chapter.

## **Research Methodology**

This chapter is conceptual/theoretical in orientation, although drawing on descriptive literature about leadership conditions and practices in Asia. The methodology for the chapter involves three approaches. One approach is literature analysis – drawing on studies in cross-cultural ethics/morality, on the one hand, and what is understood about leadership effectiveness (in business, government, and civil society), on the other hand. ISCT addresses the relationship between universal standards and cultural norms. Leadership effectiveness literature tends to rely on empirical investigation, but with relatively limited studies in Asia to date. A second approach, drawing on various sources, involves comparison of the variations across key dimensions of the key countries in Asia. For instance, corruption perception (and related) data yield some information about operating conditions by country. Transparency International Bribe Payers Index (BPI) information is available for some of the countries. The third approach is conceptual/theoretical development. The dark side of leadership – the effects of practices that may be unethical by universal standards but morally tolerable by cultural

norms – is understudied to date. The author draws on some of his own previous work in this research topic.

## Findings

The research problem concerning dark leadership is that the practices are typically not well documented or reported – particularly outside the developed countries where scholarship has been focused until recently (Glasø et al., 2010). In principle, detailed multiple case studies, across countries of the Asian region, arguably would be the best source for drawing inferences concerning variations in and effects of dark leadership (Boddy, 2015; referencing Baker, 2013; Mohanty, 2016). It is likely that dark leadership and its effects are highly contextual; if so, the paucity of literature outside the developed countries is an especially serious handicap (see Harsanto & Roelfsema, 2015). In the absence of systematic publicly available information and case studies, this chapter uses Transparency International corruption perceptions data and only as a very rough proxy for variation in political and business conditions in Asian countries (Karabell, 2015). Detailed information on each country in Asia is available from a number of public sources, such as online the US Central Intelligence Agency (n.d.).

### Transparency International Corruption Perceptions Data

Scholars and others do criticize perception data on several grounds. However, after considering such criticisms, Charron (2016) concludes that criticisms of the validity and bias of perceptions information are overstated. That there is pervasive corruption in China, India, Indonesia, and Russia – as examples – seems reasonably well established. There are active government anticorruption campaigns in China and India.

Tables 1 and 2 in combination include 22 Asian countries and Hong Kong (part of China). China (including Hong Kong), Laos, North Korea, and Vietnam are the four communist regimes. Cuba is the only other officially communist regime in the world. Bhutan, Cambodia, and Thailand are officially kingdoms. The other countries are officially democracies, with Myanmar recently transitioning from a military dictatorship to an elected civilian government. Afghanistan is a war zone, and the most corrupt country in Asia with the exception of North Korea. Functioning democracies – Afghanistan is an exception – tend to be somewhat less

**Table 1** 2014 corruption perceptions index (CPI) for domestic corruption and 2011 bribe payers index (BPI) for foreign bribery by companies reported by Transparency International for eight Asian countries and Hong Kong

Country	CPI 2014 score (0–100 scale)	CPI 2014 rank (175 entities)	BPI score 2011 (0–10 scale)	BPI rank 2011 (28 entities)
China (communist)	36	100	6.5	27
<i>Hong Kong<sup>a</sup></i>	74	17	7.6	15
India	38	85	7.5	19
Indonesia	34	107	7.3	23
<i>Japan</i>	76	15	8.6	4
Malaysia	52	50	7.6	15
<i>Singapore</i>	84	7	8.3	8
South Korea	55	42	7.9	13
Taiwan	61	35	7.5	19
Italy <sup>b</sup>	43	69	7.6	15
Russia <sup>b</sup>	27	136	6.1	28

Source: Adapted from <http://www.transparency.org/cpi2014> and <http://www.transparency.org/bpi2011>

Notes: Corruption perceptions index (CPI) concerns domestic corruption. BPI concerns corruption by companies. A score of 100 (CPI) or 10 (BPI) means zero domestic corruption or zero bribing abroad, respectively; a score of 0 means pervasive domestic corruption or always bribing abroad, respectively. Hong Kong, Japan, and Singapore appear in italics as being within the top 20 of all entities in the world included in the Transparency International 2014 CPI information

<sup>a</sup> Hong Kong is a special administrative unit of China. Hong Kong is reportedly considerably less corrupt on CPI and BPI information than China (PRC)

<sup>b</sup> Italy and Russia are for comparison purposes

corrupt than communist and military regimes, Vietnam being an interesting exception in this regard.

Table 1 provides Transparency International 2014 domestic corruption perception index (CPI) and 2011 foreign BPI information for eight Asian countries and also Hong Kong. Italy and Russia appear at the bottom of the table for comparison purposes. Hong Kong, Japan, and Singapore rank highly on these indices. China is the only officially communist country (and controlling Hong Kong) in Table 1. China and Russia can be classified as authoritarian capitalism regimes (Hofman, Moon, & Wu, 2015) in transition from communism to capitalism as economies, although transition toward democracy remains more in limbo. Russia is more corrupt than China. The other countries in Table 1 are democracies, in varying degrees. India, Indonesia, Malaysia, South Korea, and Taiwan are relatively corrupt. Italy is more corrupt than Malaysia, South Korea, and Taiwan.

Table 2 provides Transparency International 2014 domestic CPI scores and rankings for 14 other Asian countries. For these countries, Transparency

**Table 2** 2014 corruption perceptions index (CPI) information reported by Transparency International for 14 other Asian countries and Kazakhstan

Country (alphabetically)	CPI 2014 score (0–100 scale)	CPI 2014 rank (175 entities)	Country (by CPI score)	CPI 2014 score (0–100 Scale)	CPI 2014 rank (175 entities)
Afghanistan <sup>a</sup>	12	172	Bhutan (kingdom)	65	30
Bangladesh	25	145	Mongolia	39	80
Bhutan (kingdom)	65	30	Philippines	38	85
Cambodia (kingdom)	21	156	Sri Lanka	38	85
Laos (communist)	25	145	Thailand (kingdom)	38	85
Mongolia	39	80	Vietnam (communist)	31	119
Myanmar (Burma)	21	156	Nepal <sup>b</sup>	29	126
Nepal <sup>b</sup>	29	126	Pakistan <sup>b</sup>	29	126
North Korea (communist)	8	174	Bangladesh	25	145
Pakistan <sup>b</sup>	29	126	Laos (communist)	25	145
Philippines	38	85	Cambodia (kingdom)	21	156
Sri Lanka	38	85	Myanmar (Burma)	21	156
Thailand (kingdom)	38	85	Afghanistan <sup>b</sup>	12	172
Vietnam (communist)	31	119	North Korea (communist)	8	174
Kazakhstan <sup>b</sup>	29	126	Kazakhstan <sup>b</sup>	29	126

Source: Adapted from <http://www.transparency.org/cpi/2014>

Notes: A CPI score of 100 means zero domestic corruption; a CPI score of 0 means pervasive domestic corruption. Within column for country by CPI score, tied countries are listed alphabetically

<sup>a</sup> Afghanistan is a war zone

<sup>b</sup> Kazakhstan, in Central Asia, is for comparison purposes. Nepal and Pakistan tie with Kazakhstan

International 2011 BPI information is not available. The countries are listed both alphabetically and by CPI score from higher to lower. Kazakhstan information appears at the bottom of the table for comparison purposes. Nepal and Pakistan tie with Kazakhstan. Bhutan, an isolated Buddhist-oriented country, ranks reasonably highly and just above Taiwan, although somewhat below Hong Kong, Japan, and Singapore. Afghanistan (a war zone) and North Korea (a totalitarian dictatorship) rank very low, the latter being exceeded in perceived corruption only by Somalia (also a war zone) at 175 of 175.

## 2016 Global Business Ethics Survey

The general pattern suggested by corruption perceptions data is supplemented for four Asian countries – China, India, Japan, and South Korea – by findings reported in the 2016 Global Business Ethics Survey (GBES) (ERC, 2016). ERC surveyed 1,000 employees – across all sectors – in each of 12 countries, plus 1,046 in the USA. Other countries were Brazil, France, Germany, Italy, Mexico, Russia, Spain, and the UK. In reported pressure to compromise standards, the four best countries (least pressure) were Spain, Mexico, Japan, and China; the four worst countries (most pressure) were France, Russia, India, and Brazil. (For all areas, countries are reported from top to bottom.) In reported misconduct, the four best countries (least misconduct) were Japan, Spain, Germany, and South Korea; the four worst countries (most misconduct) were China, India, Brazil, and Russia. ‘Misconduct’ has the definition of violation of law, organizational values, or universal ethical principles. With respect to lying, the four best countries (least lying) were Japan, the USA, South Korea, and Mexico; the four worst countries (most lying) were France, Russia, India, and Brazil. With respect to abusive behavior, the four best countries (least abuse) were Japan, China, the USA, and South Korea; the four worst countries (most abuse) were India, Germany, Russia, and Brazil. Overall, China (except for misconduct), Japan, and South Korea do reasonably well; India does not – but Brazil and Russia are worse.

## Overall Findings

Corruption appears widespread in Asia, with some exceptions. Bhutan, Hong Kong, Japan, and Singapore are reasonably clean. Malaysia, South Korea, and Taiwan are cleaner than Italy. China and India seem quite corrupt, although better in this regard than Russia. The finding for India is

reinforced by the 2016 GBES; but on this survey, China does better outside the area of misconduct.

Findings are interpretive and more likely to be highly variable rather than simply revealing definite cross-country patterns within the region. Depending on whether a narrower or broader definition is used, Asia can be restricted to East Asia (China, Japan, the Koreas, and Taiwan) or expanded to include Southeast Asia (including the Philippines and Singapore) and South Asia (India, Pakistan, and Bangladesh) – while excluding Central Asia (on the basis that the countries there have generally become independent out of the USSR only recently). Geographically, Russia east of the Urals is part of Asia; but study of dark leadership in Russia and Central Asia is a different project. The region includes a range of political systems from reasonably democratic through relatively autocratic to Communist (China and Vietnam). Leadership practices in government, and also the relative strengths of civil society, vary greatly across this range of political systems; and much less is known about leadership practices in Communist regimes due to secrecy. More information appears to be available about business leadership. In part, this circumstance arises in the increasing importance of the market economy, including in China and India (which in the post-1945 period had been protectionist and socialist in orientation). However, the importance of political connections in business leadership is still being researched – such connections appearing quite important in China and India. There is a considerable range of business organization types as family enterprises and business groups are very important in some countries of Asia; while state-owned and state-influenced enterprises remain dominant in China. There are both state-led and society-led economic development and social transformation models in Asia. Civil society is developed in some countries and underdeveloped in other countries or arguably sub-rosa (as relatively little is known about China and Vietnam). Dark leadership must be assessed using two alternative standards. One standard is universal: what is ethically good or bad, and what is known about effects on organizations and followers. The other standard is effectively cultural within behavioral ethics: what do followers want and appreciate – in reality. Dark side findings will need improved structuring by sector: business, government, and civil society.

## Discussion and Implication

Future research should be directed at country and cross-national studies of ethics and culture (Windsor, 2016a). A particular problem is caused by the relative lack of knowledge about the variety of religious and philosophical

perspectives on ethics across the countries of Asia. There has been considerable attention on Chinese philosophy and its history, but China is not the dominant philosophical tradition across the entire region (Alves, Manz, & Butterfield, 2005; Fang, 2012; Goldin, 2011). Even for China, there are different philosophical traditions, and there are issues of adapting traditional philosophies to a communist context (Hwang, 2012; Liu & Stening, 2015; Ma & Tsui, 2015).

## The Importance of Asia

Asia appears to be a highly fruitful region for study of the underexplored problem of dark leadership practices across countries and sectors. There is considerable variation across the region: political, economic, and sociocultural. Hence, a study across Asia should be more instructive than a comparison of the European Union (EU) with Russia and Central Asia. The EU countries are constitutional polities; Russia and Central Asia are authoritarian polities in reality. Similarly, a study across Asia should be more instructive than a comparison of North America with Latin America. The countries of the region are both engaging in international transactions within a globalizing economy and transforming internally in the process of globalization – following very different models with likely very different outcomes. Both China and India are concerned with regional power position enhancement. Other countries, such as Japan and Taiwan, are concerned with maintenance of independence in the face of the rise of China and India as superpowers. Family enterprises and business groups are quite important in some countries of the Asian region. Dark leadership practices are likely to be more prevalent and more variable across Asia. There is also considerably greater diversity of philosophical and religious systems having influence on leadership practices.

## The Absence of Data and Case Studies

There is marked weakness of detailed comparative descriptive/empirical data and case studies. General information only is available and needs assembling. Detailed country studies are needed, emphasizing the dark side of leadership in relationship to variations in philosophical-religious systems. The relationship between universal standards and cultural (moral) relativism, bundled with the UN principle of national sovereignty, remains unresolved.

## Conclusion

This chapter directs attention to the as yet barely explored study of dark leadership in the diverse countries of Asia. The region comprises East Asia, Southeast Asia, and South Asia from Japan to Afghanistan. The region can exclude Russia (Siberia) and Central Asia. Some dimensions of Western theories of leadership likely apply across Asia, while some aspects of leadership are more unique to the region and to specific countries within the region. There are fundamental political, philosophical, religious, and socio-cultural differences across the region's countries. Four countries are communist regimes: China, Laos, North Korea, and Vietnam. China and Vietnam are in transition toward market economies. A few countries are officially kingdoms: Bhutan, Cambodia, and Thailand. Afghanistan is a war zone; Myanmar is transitioning from a military regime to an elected civilian government. China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, and Taiwan are among the top 28 countries or territories from which important multinational enterprises operate. Japan and Singapore are developed rather than emerging economies. Theoretical and empirical investigations of dark leadership by country by sector are needed as a basis for regional assessment.

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# The Trouble with Leadership: Theories of Good and Troubled Leadership and their Ethical Implications

Anona F. Armstrong AM and Ronald D. Francis

## Introduction

Understanding leadership in the contemporary business environment is important because so much power and money is given to leaders that they have the potential to make a significant impact on the world, society in general and the communities in which we live. Leadership by the chairs and directors of company boards can have a significant impact on stakeholders other than their followers.

Agency theorists (since Jensen & Meckling, 1976) have suggested that people in such positions, given the opportunity, will pursue their own interests and cite as support incidences such as diversion of funds from shareholders to purchase of planes, cars, artworks and yachts in a company's name, lack of independence and accountability of board members, unwarranted remuneration at excessive rates, sidestepping Occupational Health & Safety (OH&S), and ignoring sustainability and corporate social responsibility (CSR).

Examples abound. ABC TV recent news featured mining magnate Clive Palmer's plane being sold to meet some of his debts. When 'Businessman of the Year' Alan Bond was arrested for fraud, he held a substantial art collection. The BP Oil spill in the Mexican Gulf was found to be the result of sidestepping OH&S measures. Sempra Energy disclosed that, following the

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disaster, CEO and Chairman Debra Reed earned above-target vesting of 140,852 shares worth about US\$12.8 million for her 2013–2015 long-term incentive. This payout occurred even as Sempra natural gas well continued to leak uncontrollably displacing 10,000 residents and releasing significant amounts of potent greenhouse gas into the atmosphere. Australian companies have their own experiences of poor leadership behaviour. The director of business development for Securancy, in which bribes were paid to African government officials to secure contracts to produce bank notes, is currently on trial at Southwark Court in the UK, and three leading banks, the Westpac, ANZ, and Commonwealth banks, are being investigated by the Australian Securities and Investment Commission for market manipulation and exploitation of customers (Koh, 2016).

The global financial crisis and the outcomes for capital markets are well documented (Clarke, Dean, & Oliver, 2003, Gul & Tsui, 2004; Wearing, 2005). The failure of corporate leaders figured prominently among the causes: poor corporate management and controls, corruption, nepotism, dubious behaviour, lack of accountability and incompetence. Closer to home, individual behaviors that offend cultural norms have caused the loss of value in companies, costs to investors and companies and the downfall of politicians. Savva (2016) concluded that the perceptions of the behaviour of former Prime Minister, Tony Abbott, and his chief of staff, which offended not only the members of his party but also the general public, led to his dismissal.

One of Australia's most successful CEOs left his \$4 million job and fled the country after it was revealed he had sexually harassed an employee. The market reacted by stripping \$107 million from the company's value, and the complainant sued the company and CEO for more than \$37 million. Despite having to leave the company, CEO Mark McInnes received almost \$2 million exit payments in the wake of the scandal rocking the upmarket retailer (Metherell, 2010).

As this example illustrates, it is not always a fall in the performance of their organisations that causes the downfall of leaders. It can result from the perceptions that a leader's behaviour, even if it was not illegal, conflicted with social norms and values. When the impact was that the leaders were seen to lack integrity, they lost the respect of their followers, and they had to go. One has to ask, do such failures reflect a lack of leadership skills? A lack of ethical leadership? Or are they revealing other personal factors associated with leadership?

Leadership has various interpretations. Early researchers in this field have explained the phenomenon in theories such as trait and charismatic

leadership (Stogdill, 1974), exercising power (French & Raven, 1959, 1973; Yukl, 1981), balancing production and people (Blake & Mouton, 1985) and leaders' responses to situation, context or contingency (Hersey & Blanchard, 1988). Many of these theories grew from the desire to improve the management of employees. All have their weaknesses (see Northhouse, 1997 for a review) and some appear to address management rather than leadership. There have been many scholars who have argued that not only are leadership and management different constructs but that leaders and managers may also be different types of people. Zaleznic (1977) argued that managers are less emotionally involved in responding to employees and their problems while leaders are active, involved and seek to change the way people think about what is possible. As Kotter (1990) pointed out, management is about planning and budgeting to produce order and consistency while leadership is about vision building, change and motivating people.

The most researched contemporary leadership theories are those which (a) promote leadership as a group process, (b) focus on understanding the leaders' subordinates and (c) focus on the personal attributes which inform their leadership – whether good or bad.

A group process approach to leadership theory assumes that leadership is fundamentally a group process. Platow's et al. (2015) 'New leadership' is not about individuals who occupy roles or positions, but is viewed as another group process such as group decision-making, with similar weaknesses exemplified by social loafing, or group-think. The Full Range Leadership Model (Bass & Avolio, 1994), which is composed of the three types of leadership, transformational leadership, transactional leadership and laissez-faire leadership, is based on the assumption that successful leadership depends on how well a leader motivates their followers. Leadership, from a psychological point of view, examines individual attributes and behaviour and how these relate to good and bad leadership.

The aim of this chapter is to describe how these contemporary theories of leadership attempt to explain the phenomenon of leadership in different ways. 'New leadership' (Platow et al., 2015) explains the interaction between leaders and followers as a group process. The focus of transformational and transactional leadership (Bass & Avolio, 1994) is the needs of followers. Others (e.g., Stech, 2001) draw attention to the context in which leadership emerges. While studies into all of these are important contributors to leadership theory, the role of leaders' attributes in determining leadership behaviour, that is, their psychological profile, has usually been overlooked. The exceptions are studies of leaders' attributes that have examined the 'dark' side

of leadership and perhaps what could be seen as its opposite, ethical principled leadership.

Therefore, this chapter analyses examples of the contemporary theories of leadership, identifies their weaknesses and contrast them with psychological theories of leadership. The aim is to develop a framework for leadership that captures its complexity and integrates the propositions put forward by the different theories.

## Leadership as a Function of Group Processes

Leadership is the influence that leaders exert on followers. Platow et al. (2015), Reicher et al. (2014) and Haslam et al. (2011) argue that there can be no leader without followers – it is when individuals follow another's actions they make that individual a leader. However, in organisations, leaders lead groups of people, in teams, departments and the organisation as a whole.

The argument, that leadership is a function of group processes, is based on social identity theory and self-categorisation theory (Haslam et al, 2011). Social identity theory takes the psychological reality of the group ('we-ness' or social identity) as its starting point. People can (and often do) define themselves in terms of social identity ('us psychologists', 'us members of team X', etc.) not just personal identity ('I'). In summary, Platow et al., (2015) concluded from their research into leadership and group processes:

- A leader can be seen as someone who embodies (is *prototypical* of) a social identity that is shared with other group members – and who exerts influence on this basis.
- Leaders are more effective (more likely to be influential) the more they are perceived to represent a social identity that we share.
- They need to be seen as 'one of us' (not 'one of them') and as embodying 'who we are' and 'what we want to be'.
- Indeed, without social identity there can be no leadership: we can only be led if there is a 'we' to lead.
- Leadership can be seen as a process of social identity management that centers on a leader's ability to create, represent, advance and embed a shared, special sense of 'us'.
- Leadership is sustained by leaders who devise structures that embed, maintain and promote that sense of 'us', and who assume authority on that basis.

Platow's et al. (2015) research supports the claim that successful leadership is about social identity management. They used Steffens' et al. (2014) practical tool, the 'Identity Leadership Inventory', to measure follower perceptions of leadership potential in terms of group processes. Successful leaders are *identity impresarios* who initiate *identity-embedding structures* (e.g., goals, activities, practices), emphasise the difference between the ingroup and the outgroup, and are seen to promote the interests of the group. The conclusions from their research are that common attributes associated with leadership (e.g., trust, charisma, fairness) can all be understood as outcomes of shared group membership. The group processes produce desirable leadership outcomes when people have a strong sense of group identity but only when the leadership is seen as 'doing it for us' and doing it well.

This theory does not assume that all group processes produce the same leadership. There is a substantial difference between the group processes in a corporate board, a local community health organisation or a wayward youth gang but this theory holds while the members and the leader identify themselves as a group, that is, believe they are members of the group with common goals and aspirations.

A limitation of this research is that the samples were almost exclusively students. Few may have had leadership, and certainly corporate leadership, experience. Another factor is that the role of a leader in a company is to present followers with a vision and, in the mould of transformational leadership, to help followers to achieve the high ideals and outcomes that go beyond self-interest. It may be that such leaders do this best when they cultivate the 'we-ness' of identity but equally they may fail if they indulge in 'group think', or building an 'ingroup' that excluded needed competencies and skills of an 'outgroup'. An example can be found in the limited range of diversity in leadership skills of corporate boards due to excluding women and ethnic minorities from appointments as directors of boards. Groups with different goals or tasks will also influence the leadership (Feidler, 1967).

Self-categorisation theory assumes that people are motivated to have a positive and distinct self-concept. When their sense of self is defined in terms of social identity, they want to see their ingroup as positive and distinct from outgroups – we want 'us' to be special. So a leader would see themselves 'as a company man or woman', 'as a member of their profession' or as a member of a Law College in a University.

Other factors that may impact on social identity are peer values, beliefs and attitudes, an organisation's culture or national norms and culture. Culture is most often defined in terms of underlying values, beliefs and principles that are shared by an organisation, group or nation. Hofstede's

well-known framework of cultural differences was the basis for a study (Muenjohn & Armstrong, 2007) of the differences in values between Western (Australian) and Asian (Thai) leaders.

Individualism-collectivism described the Western tradition of self-reliance and entrepreneurial behaviour contrasted with the commitment to the good of the group seen in Asian cultures. Those who valued individualism were expected to be more self-oriented and interested in promoting their own interests. In contrast, those who were collectivists put a higher value on the values of their social group, family and their corporation. Power distance described the relationships between people in a business hierarchy. Leaders in a high 'power distance' were respected because of their position and assumed much authority. In more egalitarian countries, leaders are often the 'one among equals' who must earn both personal authority and position power. Australian culture registers as comparatively 'low' on power distance, 'medium' on uncertainty avoidance, 'high' in individualism and comparatively 'high' in masculinity (Hofstede, 1984). Muenjohn's and Armstrong's (2007) more recent study found that the Thai subordinates exhibited a higher sense of group identity and respect for authority.

The masculinity-femininity dimension suggests that strongly aggressive and competitive values dominate masculine-type societies in contrast to the less competitive and more collaborative feminine style of leader. Uncertainty avoidance describes the need for structure, stability and certainty. Members of a community high in uncertainty avoidance are likely to be insecure, less tolerant of deviance and more aggressive in the workplace.

Two further scales Hofstede related to culture were *short-terminism* and *indulgent self-restraint*. Hofstede found that leaders with a short-term orientation were more likely to look for quick results. In an *indulgent* community, people feel less restrained by peer group and cultural values and expectations. Long term versus short term was one of two further scales.

It is not difficult to see how a leader with power, a short-term focus and ambitious self-centered interests would exhibit behaviour that valued 'profit at any price'. Equally a leader who experienced high levels of trust, gave weight to the values of other stakeholders and was less focused on monetary awards would be more likely to identify with both their corporation and their subordinates.

Studies (refer to Muenjohn et al., 2010 for a discussion of this issue) show that cultural dimensions external to the group reflect national values that affect a leader's values and hence their behaviour. The implication is that as leadership is influenced by national cultural values

these also determine opportunities to lead and shape the expectations of followers.

The conclusion is that despite the convergence in cultures due to globalisation, communication and technology, factors external to the relationship between leaders and subordinates affect leadership behaviour.

## Understanding a Leader's Interactions with Followers

For a long time, successful leadership has been defined in terms of what impact the leader has on followers. The Full Range Leadership Model of Bass and Avolio (1994) that emphasised transformational and transactional leadership has drawn the most research.

The Full Range Leadership Model is designed to assist a leader to understand the interaction between a leader and their followers. The full model consists of three factors: transformational leadership, transactional leadership and laissez-faire leadership. Transformational leaders utilise the following four components of leadership:

- Idealised influence – Leaders become role models for followers to try and emulate.
- Individual consideration – Leaders act as mentors for followers by providing support. In addition, leaders recognise and embrace the differences of each of their followers to influence change.
- Inspirational motivation – Leaders motivate and inspire followers by involving them and providing challenges and meaning to their work.
- Intellectual stimulation – Leaders stimulate followers to question practices and problems, to think creatively and develop new approaches to work issues.

Transactional leadership is not focused on the personal needs of followers but based on the exchange of something of value between the leader and followers. Transactional leaders are therefore more likely to use the power of their position and their ability to provide monetary rewards to motivate followers to perform in conjunction with the following four substyles of leadership:

1. Contingent reward – Leaders and followers agree on what needs to be done. When tasks are completed satisfactorily, leaders reward their followers. A commission for reaching a sales target is an example of this approach.

2. Management by exception (active) – Leaders proactively monitor standards, notice potential errors or mistakes, and take corrective action before a problem arises.
3. Management by exception (passive) – Leaders, in contrast to the active style, wait for problems to arise and then react when they need to be addressed.
4. Laissez-faire leadership – The absence of leadership, no transaction occurs between leaders and followers: no leadership takes place.

If a leader is fully transformational, it would be expected that followers would develop into self-motivated and autonomous decision-making individuals molded to support their organisations' goals and objectives. However, the theory has been criticised on the assumption that understanding followers' needs, aspirations and values can lead to manipulation of followers.

Research into the components of the Full Range Leadership Model has been extensive (see Muenjohn et al., 2010 for a review). The validity of the model has been confirmed in numerous investigations of components of the model (Bass & Riggio, 2006; Muenjohn & Armstrong, 2008), cross-cultural research (Muenjohn & Armstrong, 2007), applications in industry (Grow & Armstrong, 2013, 2015), relationships with organisation performance (Kruger et al., 2011) and increased creativity in followers (Eisenbeib & Boerner, 2013).

In their review, Muenjohn et al., (2010) described research into the model's three major factors, laissez-faire, transactional and transformational leadership. Laissez-faire leadership represents a lack of leadership, in which case no transaction occurs between leaders and followers. Research into laissez-faire leadership found that followers would turn to other sources for guidance or attempt to usurp the role of the legitimate appointed leader (Bass & Avolio, 1994).

Transactional leaders responded to followers' needs and desires as long as followers 'did the job' and achieved the desired outcomes of transactional leaders. The most important factor here was a consistent strategy using contingent reinforcement (recognition, bonuses or promotion). Transactional leadership, while it appears to lack the higher-order values or aspirations of transformational leadership, is very effective in some contexts such as sales and the hospitality industry (Grow & Armstrong, 2013). The weakness in using this leadership style was the difficulty faced by leaders in identifying the needs of their followers, the appropriate rewards and the difficulty for a leader who did not have the power or resources to give the awards. The latter is likely to occur in start-up ventures or in mature companies should they be impacted by rapid growth or market changes that reduce cash flow.

According to Bass (1985), transformational leadership was a process in which leadership behaviour sought to increase awareness in followers of what was right and important for the organisation. This process was associated with motivating followers to perform beyond expectation their self-interest for the good of the group or organisation. Leaders influenced followers by their vision and putting followers and organisation needs ahead of their own, expressing high expectations and confidence in followers, seeking their participation in decisions, and treating and recognising followers as individuals rather than being one of a group. In turn, followers identified with the vision or aspirations of the leader, developed their skills and felt valued and important (Muenjohn et al., 2010, p. 20).

Transformational leadership has been most successful in giving significant insight into how leaders can influence their followers. Leaders can advance strategies that influence followers in various ways. They are therefore well placed to take advantage of their followers' loyalty to enhance the performance of followers and their organisations. Alternatively, because of their knowledge, they may also, perhaps, manipulate them in ways that are to the leaders' advantage, and not always to the advantage of their followers or their organisations.

## Personality and Dark Leadership

Bass and Reggio (2006) described the concept of 'pseudo leadership', which occurred when transformational leaders use their abilities to inspire and lead followers to destructive, selfish and even evil ends (p. 56). Several researchers following this notion have investigated the 'dark side of transformational leadership'. Tourish (2013) argued that transformational leadership proposes an image of visionary leadership that supports the contention that leaders should have more power than their followers. Power breeds a sense of entitlement. If power corrupts, powerlessness corrodes our ability to act purposely, take responsibility for our own actions and manage our own destiny. He suggests that charisma is an illusion planted in the minds of followers whose vision is feeble, illusionary or inappropriate, despite its appeal to many. As an example, he illustrates his argument with the role of a preacher portrayed in a film where 'rhetoric camouflages malign intent' and 'high ideals are a ploy to win peoples, hearts, all the better to purloin their wallets' (p. 5). Should people get to positions with power, they might find transformational tactics efficient and rewarding but morally bankrupt.

Asaland et al. (2010), who investigated four types of destructive leadership behaviour in the Norwegian workforce, found that it was not an anomaly but that its presence varied from 33.5% to 61% of the workforce. Kellerman (2004, p. 40.) go further to claim that 'capricious, murderous, high-handed, corrupt and evil leaders are effective and commonplace'.

Although there has been a great deal of attention devoted to the darker aspects of personality during the past decade, there is 'yet to be clear agreement among scholars regarding the exact criteria necessary for considering a personality feature to be dark' (Southard et al., 2015). Southard et al. reviewed the personality characteristics that may be at the core of a dark personality. They included the Dark Tetrad (Paulhus & Williams, 2002; Buckels et al., 2013); disagreeableness (Egan & McCorkindale, 2007); callousness (Jones & Paulhus, 2011); a combination of manipulateness and callousness (Jones & Figueredo, 2013); antagonism (Lynam & Derefinko, 2005); low honesty-humility (Ashton & Lee, 2001; Lee & Ashton, 2005); exploitiveness (Jonason et al., 2009); greed (Haynes et al., 2015); and arrogant, manipulative, cold and hostile interpersonal styles and pathological personality features captured by the PID-5 (Personality Inventory for DSM-5; Southard et al., 2015).

The Dark Tetrad includes the personality features of narcissism, psychopathy, Machiavellianism and sadism (Buckels et al., 2013). Narcissism is characterised by grandiosity, selfishness, egocentrism and entitlement. Psychopathy is described as tendencies toward callousness and interpersonal manipulation as well as behaviour that are erratic, antisocial and impulsive in nature. Much of the research into psychopaths has been undertaken with prison inmates but several authors have conjectured that psychopaths are overrepresented in certain vocations including politics, military, law enforcement firefighting and risky sports (Stevens, Deuling, & Amenakis, 2012). Machiavellianism is characterised by strategic interpersonal manipulation and cynical worldviews. Sadism involves the humiliation of others, patterns of cruelty and demeaning behaviour, as well as harming others physically, sexually or psychologically for personal enjoyment. Wiggins, Trapnell, and Phillips (1988), in their study of the relationships between the personality dimensions and interpersonal styles, found that the Dark Triad personality features were related to interpersonal styles that were arrogant, manipulative, cold and hostile.

Despite the undesirable behaviour associated with the above attributes, a review by Lillenfield et al. (2015) explored research into successful psychopathy. They defined 'success' as short-term or long-term accomplishment as well as behaviour that profits the individual or society. Drawing on previous research, they described three models of successful psychopathy:

*Differential-severity model:* Successful psychopaths are less extreme than unsuccessful psychopaths and had higher scores on the interpersonal and affective features (e.g., superficial charm, narcissism, guiltlessness) of psychopathy.

*Moderated-expression model:* Successful psychopaths possess higher autonomic responsivity as well as superior executive functioning. These variables may be protective factors that allow psychopathic traits to be channeled into socially adaptive or at least less patently antisocial manifestations.

*Differential-configuration model:* Successful psychopaths displayed higher levels of certain facets of extraversion (e.g., assertiveness, excitement seeking) and conscientiousness (e.g., order, self-discipline) as well as lower levels of agreeableness (e.g., straightforwardness, modesty). Associated with this model was a fearless dimension of boldness, physical fearlessness, interpersonal poise and potency and emotional resilience.

The models suggest that successful psychopaths may have high interpersonal skills, intelligence and conscientiousness, skills that would facilitate aspirations for leadership. Lillienfeld et al. suggest that some of the other implications for leadership are that these may be protective factors or only peripheral to psychopathy and its dimensions of boldness, disinhibition and emotional coldness (or meanness). Whether these traits indicative of successful psychopaths 'may be protective factors that buffer psychopathic individuals against antisocial outcomes' or 'combine with core psychopathic features, such as guiltlessness and callousness, to forge a distinctive "subspecies" of psychopathy' (p. 303) demands further research.

But is the leadership style a result of a leader's personality? Is dark leadership due to intrinsic psychological dispositions or attributes, or does it reflect a lack of exposure to ethical reasoning?

## Leadership and Personality

The question of whether leadership behaviour is influenced by personality raises the old debate about whether leaders are born or made. On the one hand, leaders, and corporate leaders in particular, need a battery of skills to meet the challenges of operating in a global economy. Management schools are in business to develop these skills. On the other hand, as Sarros and Butchatsky (1996), who conducted a study of CEOs of leading companies in Australia, concluded, antecedent factors of life and career experience also influenced the leaders, as did traits and abilities.

The purpose of most studies of leadership is to identify the attributes that lead to successful leadership. Early theory (trait theory) attempted to explain successful leadership in terms of which attributes of the leader led to successful leadership. One such movement measured the height of people. Tall people were thought to be more intelligent and, in the eighteenth century, only tall people could be accepted into the military. Another measure was the physical size of the brain. People with large heads were thought to be more intelligent. Naturally, there was not much scope for women to be considered intelligent!

In time, these early theories were discarded, partly because solid research did not support their contentions, but also because leadership theories were primarily developed to assist in selecting military leaders, and the empirical evidence drawn from leadership research in the field did not support the assumptions. Napoleon, for example, was not tall.

The traits of early studies that were often physical but later studies investigated psychological attributes such as trust, confidence, emotional intelligence and commitment. Developing these meant 'understanding yourself', that is, understanding the values and attitudes that drive beliefs and behaviour.

Collins (2001), in a more recent study of personality characteristics and leadership, investigated the leaders of US companies. He and his team identified 11 cases out of a large sample that were excellent and exhibited factors that were not found in comparison companies.

His investigation of the leaders identified five levels of leaders. The excellent 'Level 5' leaders were found to exhibit what he called 'personal humility' and 'professional will'. They combined personal humility with a will to succeed and build momentum in their companies over time. Success was for the company, not the individual. They showed clarity of purpose, insisted on excellence, gave credit where it was due and motivated with high moral and personal standards. They had the desire to influence others, were dominant and self-confident and had a strong sense of their moral values. Toward followers they were altruistic, showed respect and were ready to serve and build a community.

Similar attributes were identified in other studies of leader attributes (AICD, 2016: charisma, personal integrity, collaborative leader, collegial communicator, emotional intelligence, commercial astuteness; Valasequez 1992: perseverance, public spiritedness, integrity, truthfulness, fidelity, benevolence, humility, moral courage, temperance, generosity, self-control, honesty, sociability, modesty, fairness, just).

Charisma, one of these attributes, has been of interest to writers throughout the centuries. Collins had concluded that the successful business leaders

were not charismatic. In contrast, Kanunga and Mendonca (1996) assert that charismatic leadership is transformational in nature. It comes into effect when followers perceive and attribute certain characteristics to the leader such as the embodiment of idealised vision, extraordinary abilities and unconventional behavioural manifestations. Followers often perceive these attributes in many religious and political leaders. Jesus, Gandhi and Hitler are historical examples, and some more modern TV preachers illustrate both the positive and negative possibilities of charismatic leadership.

From a leader's viewpoint, a charismatic leader 'experiences a heightened sensitivity to environmental opportunities and constraints, and to the needs of followers' and that 'a concern for the welfare of an organization and its members is the primary pre-occupation that underlies the behaviors demanded of a charismatic leader' (Kanunga & Mendonca, 1996, p. 2). A leader's effectiveness depends on articulating a shared vision and that is probably not possible without exhibiting a 'passionate and sincere care and concern, as well as a deep and abiding respect for others' (p. 43), and engaging in modelling often at great personal risk and sacrifice.

In corporations, the primary purpose is to make a profit. But is it the only purpose? Is it meant to serve the community with goods and services, to provide employment, to secure the well-being of society? The responses to these questions are evident in the move toward CSR, sustainability (Heenetigala et al., 2016) and the adoption of codes of ethics (see Standards Australia, 2003a, 2003b; Francis, 2000). All members of a company bear the responsibility to ensure that organisational objectives are achieved in a manner that is consistent with ideals that serve their own welfare as well as the larger interests of society. However, as Kanungo and Mendonca (1996, p. 3) point out:

The primary duty and responsibility for providing the proper direction and the high standards of performance rest chiefly with the organisational leader. He or she is indeed the soul of the organisation. The leader's vision inspires and articulates the organisations' mission; provides the basis for the organisation's objectives and goals; communicates the beliefs and values that influence and shape the organisation's culture and behavioural norms; and lays the foundation for organisational strategies, policies and procedures.

While research into CSR and corporate culture is extensive, the role of ethical leadership in achieving an ethical organisation has received less attention.

## Ethical Leadership

There is considerable similarity between the findings of Collins and other studies, which have identified the attributes of successful leaders. Not least is a growing awareness that ethical principles and morals should govern our leaders. The terms '*ethics*' and '*morals*' are sometimes used interchangeably, although one can make distinctions (the word '*ethics*' is from Greek, whereas the word '*morals*' is from Latin). Ethics determine what is good or right for individuals and society, what goals people and society ought to pursue, and what actions they ought to perform. More commonly, the word '*morals*' refers to the standards held by the community, often in a form not explicitly articulated. Morality is therefore influenced by social norms and beliefs. As discussed above, leaders values and followers expectations are influenced by cultural norms. So what is seen as moral in one society may not be seen so in another. Similarly, acting according to one's conscience is not always acceptable action in another culture.

Perhaps this is the reason why Kellerman (2004) claims that leadership is not a moral concept. While morals are about norms in society, ethics is about principles. When a leader subjects their vision and its implementation to scrutiny to determine if it has a higher purpose, they are exhibiting ethical leadership. Ethical leadership is about acting in the right way on behalf of those they serve (Gini, 1997). As Kanungo and Mendonca (1996) concluded, the ethical leader will have an inherent desire and concern to benefit others despite the risk of personal cost inherent in such acts. Such a course of actions infers stewardship and inspiring the right decisions in followers. This is not easy as what is 'right' is not always obvious and most ethical decisions require balancing the protection of one person's individual rights and needs against and alongside of the rights and needs of others.

The underlying principles of ethics include honesty, respect, trust, justice and integrity. Ethics provides the rules for complying with these principles and concerns explicit codes of conduct as well as value systems (Francis, 2000). There are three major ethical theories: egoism, utilitarianism or teleological theory, and deontology. The manager who is self-centered and whose activities are aimed solely at self-interest is acting as an egoist. Utilitarianism is based on the principle that decisions should be made on the basis of the outcomes or practical consequences. The difficulty with utilitarianism is that individual welfare may be sacrificed for the common good. In many cases, justice may be better served by treating each case according to just principles rather than having 'the greater good' as a guiding principle.

Conversely, according to Kant (1971), morality consists not in the result of actions, but in their intention. Right action, so Kant argued, is based on law determined by reason. According to deontological theory, people should do their duty. That duty is captured in laws and principles such as those found in codes of ethics. It is just such theoretical approaches that may well influence our approach to leadership.

As noted above, because of their power, leaders are able to exert an influence out of proportion to their individual worth. That influence may be good or bad, ethical or unethical. Ethical leaders will not only comply with laws and codes of ethics but go further to pursue the common good. However, in many cases, codes of ethics have their limitations as both circumstances and values will influence whether an action is ethical. Further, in leadership across borders, culture may dictate different values in different countries. It is problematical about universal ethical principles meant to be superordinate to culture. Perhaps the closest we have to universal ethical principles is embodied in the 30 principles approved by the UN in its declaration of human rights.

A leader who pursues their own interests, such as diversion of funds from shareholders to purchase of planes, cars, artworks and yachts in a company's name, is unethical. But, is the same leader who gives company money to support a particular political party, unethical? Is it unethical to take the decision to close down a factory and dismiss all the workers because the product can be produced more cheaply in another country? What kind of leader will take a decision that risks the possibility of a dam wall collapsing or an oil well exploding? Is their leadership an indicator of incompetence, pathology or lack of ethics?

## Conclusion

Leadership is one of the most researched areas in ancient and modern times. Over time we have seen how initial concerns with traits and behaviour have given way to theories about group processes, then to exploration of relationships with followers in transformational and transactional leadership and, subsequently, back to the attributes of the leader. The theories are not unique, rather they are tied together by the interaction with followers, in groups or individually. Ethical leaders, who experience mutual respect, and give service to others, make decisions guided by values of fairness and justice.

Personality variables, abilities and values have also been investigated as possible sources of differences between effective and ineffective leaders. It is generally accepted that the execution of undesirable leadership behaviour may be due to incompetence or to rational, if mistaken, decision-making. Alternatively, perhaps such behaviors may reflect certain intrinsic aspects of the personality of a leader. However, central questions remain in debate: How is it that leaders influence their followers? Why do we follow our leaders? What is it that enables dark or troubled leadership to exist? Can leadership be learned or is it intrinsic to personality?

As often stated, there are no leaders without followers. Leadership is both a sociological and a psychological phenomenon. This chapter reviewed the contemporary theories of leadership 'New leadership', the Full Range Leadership model of transformational, transactional and laissez-faire leadership, and contrasted them with two psychological theories of leadership, troubled or dark leadership and ethical leadership. All the theories have something to offer to our knowledge of leadership. However, leadership is a complex phenomenon. At the very least, the study of leadership requires an integrated approach drawn from studies of these theories between followers' needs, group processes, context and leaders' psychological attributes including their ethical stance.

Whether they are appointed or emerge through circumstance or opportunity, there appears to be something intrinsic to a person, which allows them to aspire to and take on the role of leader. Their personal qualities set them apart from others as superior, special or different. With the leadership role comes power and responsibilities. Whether in international politics negotiating a peace treaty in Syria, responding in a mining organisation to a collapsed dam wall, a manufacturer recalling a faulty product or an executive building an ethical culture, leadership quality is intrinsic to the quality of our society and the quality of our everyday lives. For this reason, leaders, and the study of leadership, are important.

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# Part III

## Creativity and Innovation

# Leadership, Innovation and Work Values Ethic in Asia: A Conceptual Relationship

Nuttawuth Muenjohn and Adela McMurray

## Introduction

It is known that national culture may impact on the way in which managers lead their subordinates. For example, the different cultural backgrounds of Australians and Thais influence their leadership styles (Hofstede, 1984) where Australian leaders tend to be participative, direct and willing to take more risk than their Thai counterparts (see Muenjohn, Armstrong, & Hoare, 2012). However, few studies have explored the relationships between values at the individual level and leadership behavior in the Asian cultural context, in particular, using leadership as a moderating factor in the relationship between work values ethic (WVE) and workplace innovation.

In investigating this relationship, this chapter presents a research framework and proposition. The proposed relationship will not only contribute to the body of knowledge in the field of leadership and innovation but will also provide empirical evidence and advance our understanding of the impact of work values on leadership behavior and workplace innovation.

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## Literature Review

### Culture and Values in Asia

There is a significant body of research addressing 'Asian values'. Some studies assert that it is difficult to accurately describe all Asian countries according to one set of characteristics that are contrasted with Western values (Kim, 2010; Thompson, 2001). Cultures vary from country to country yet Asian cultures share common values, shaped by different historical contexts, that are distinct from Western values Kim (2010). Generally speaking, academics view the 2500-year-old Confucian ideals as the basis for the culture and values held by modern Asian countries (Lynn-Sze, Yusof, & Ahmad, 2014). Indeed, most academics conclude that 'Asian values' is a blanket term for Confucian values (Oh & Lee, 2014; Yung, 2012).

The Confucian values or 'Confucian inheritance' (Warner, 2011) have impacted on Asian culture and values in the workplace such that there is an emphasis on working for the greater good, spirituality and harmony (Cho & Kim, 2013). Leong, Huang, and Mak (2013) describe Confucian ideals as helpful in predicting the level of workers' commitment. However, these authors believe the link between Confucianism and such commitment is not fully understood.

Within Confucianism, which is known as Ruism and at times described as a religion, individuals participate in a collective of subconsciousness, whereby there is a sense of shared attitudes, beliefs, values and destiny (Cho & Kim, 2010). These characteristics in the collective subconscious create value in work, thrift and responsibility that is viewed as a form of social capital. Thus, an individual works not in order to climb the social ladder, but instead to focus on cultivating strong values and ethics.

Another dominant ideal in Asian culture is what Kim (2010) terms 'familism' – a strong sense of the importance of family, which are shared both publicly and privately. Parents are to be cared for by their children and respected to the point where the child obeys their parents' wishes, reflecting 'filial piety' as Kim describes it.

While there is unconditional respect within family, in Asian culture this is accompanied by an underlying sense of unquestioned authority. This is sometimes challenged in the West, particularly in relation to the influence of government in Asia. Some argue that there is a greater sense of wanting strong leadership and government in Asia than in the West, which is said to

be used in countries like China to persuade citizens, similar to the authority of an autocratic father figure.

While not shaped by Confucianism, Indian culture and values share similarities in their work values and cultural beliefs. A sense of duty and higher purpose helps to drive work practices in addition to the desire to fulfill one's destiny (Sharma, 2015). Having an occupation helps to fill that need for a sense of purpose and is seen to support one's connection with spirituality, thereby offering benefits to both individuals and organizations (Pardasani et al., 2014).

## Innovation in Asia

In terms of global innovation, Asian countries are seen as lagging behind or as followers when compared with the Western world, particularly the USA and the European Union (Licuanan, Sengupta, & Neelankavil, 2015). However, Altenburg, Schmitz, and Stamm (2008) demonstrate that China and India are narrowing the gap in line with their rapid economic growth in the past three decades. Ernst (2013) believes that Asia is looking to places such as the USA to understand how their workplace and business practices including increased standards as defined by the commercial sector have led to world-leading innovations. In addition, Ernst views a political effect that could be a contributor to Asian country rankings in terms of innovation, and Altenburg et al. (2008) are optimistic about China's ability to catch up and be competitive. Currently in the West, the dominant approach to innovation is private innovation, which reaps more benefits at a higher cost for a smaller number of people (Prahalad, 2012).

In the case of China and India, a large proportion of their economies are dependent on the manufacturing sector, which has been a driving force in their success over the past few decades. But recently this has decreased in importance with a shift toward technology- and knowledge-based economies (Yoon et al., 2015; Sivalogathan & Wu, 2014). Improvements in the industrial sectors are vital to China's sustainable growth progressing forward (Fan, 2014). In addition, Fan asserts that the monopoly of the West holds on innovation will soon be over, and that China and India should be taken more seriously by other country economies, governments and politicians.

Altenburg et al. (2008) and Choo (2005) identify that Asian governments view innovation and entrepreneurship as important and promote start-up

activities. Exemplary here is President Hu Jinto announcing that China should focus on becoming an innovative economy (Fan, 2014). Fan reports how China has been supporting innovation and cites projects such as launching a man into space in 2003, helping research the human genome with the USA and Germany, and having the fastest supercomputers in the world in both 2010 and 2013. China has the capacity to be innovative on a global scale but seems to consistently fall slightly behind other countries, potentially due to the level of government intervention into how people conduct business in that country.

In 2012, China's patent office granted 1.26 million patents, representing an increase of 41% from 2011 and more patents than seen in any other patent office in the world (Fan, 2014). This provides evidence that China is becoming increasingly focused on shifting its image from 'made in China' to 'innovated in China'. In order to maximize China's entrepreneurship intentions and capabilities, strong investment is needed to narrow the country's marketplace positioning.

It is argued that investment into innovation in China should come from the Chinese government, either using its own capital or by implementing policy changes to allow foreign investment, on the basis that the government does have strong bargaining power in the global economy (Altenburg et al., 2008; Yoon et al., 2015). There is agreement (Altenburg et al., 2008; Yoon et al., 2015) that outside venture capitalists are important to Asian country development and should be allowed to promote economic and innovative growth through investment in the region. Some suggest (Sivalogathan & Wu, 2014) that the globalization of research and development (R&D) offers an opportunity for developing countries to produce innovation of a global standard.

Prabhu and Jain (2015) report on and characterize the current trends in innovation in China and India as 'frugal', using the term 'jugaad', which signifies the creativity to make existing things work with meager resources (p. 843). They further describe this as 'making ingenious use of existing resources and technologies, employing a mindset that combines improvisation with pragmatism and developing solutions' (p. 844). These authors believe that embracing *jugaad* would benefit both developing and developed countries, governments, companies and individuals alike.

Altenburg et al. (2008) assert that India is not at the same innovation cusp as China and will need more capital and investment before it can be taken seriously. Popli and Rivzi (2016) investigated transformational leadership in New Delhi, noting that there is more engagement in this practice among younger employees (under 25 years of age) than their more mature employee counterparts.

## Leadership in Asia

The practices of leadership found across Asian countries are diverse and influenced by several factors, and as such, can be hard to describe in general terms (Liden, 2012). These factors include cultural history, social trends, political context, landmass and Western influences. During the twentieth century, Japan and South Korea were the economic power countries in Asia (Liden, 2012).

A more focused study was conducted on patriarchal leadership in Asian countries (outside Japan and Korea) since Misumi's research (1985) on tasks and relationships among leaders in Asia, particularly China and Japan. The rapid changes that occurred in Asian society in the latter part of the tenth century supported their growth and strength (Liden, 2012). Additionally, he describes how there is currently a divide such that some workers want to maintain the traditional ways, while others are keen to embrace Western practices.

Lynn-Sze et al., (2014) believe that, given the historical and political relationships between Western and Eastern cultures over the past century, there is some visible penetration of East into West at the everyday level. Countries such as China have adopted Western ideals, while still maintaining their traditions and historical identity (King & Zhang, 2014). According to Liden (2012), the prominent cultures of leadership in Asia fall into three categories: high context, high collectivism and high in power distance, which can be linked to Hofstede's seminal work.

The large size and diversity of China's political and cultural landscape makes it difficult to define leadership in this country accurately. However, generally there appears to be a strong sense of patriarchal leadership and many Chinese organizations attempt to replicate this idea. Men are still seen to be in charge of the family, and in the workplace, managers are often seen in a similar light. This is not so much an authoritarian relationship, but one characterized by benevolence, care and protection by the workplace manager, and conformity by employees to comply to norms (Pellegrini & Scandura, 2008). In the Malaysian culture, this relationship is even more prominent; and as most of the country is Muslim, patriarchal and authoritarian values are based in that religious faith.

There is currently a trend of Asian students studying in Western countries, resulting in Asian and Western managerial practices becoming more aligned over time. While Asian values and culture still dominate in Asian countries, the business practices show visible signs of the influence of Western methods.

In this regard, Liden (2012, p. 207) states: ‘employees around the world express a preference for autonomy provided by the leader and express disdain for controlling leadership’. Kirkman et al. (2009) describe how the relationship between leader and follower is stronger when the power distance orientation is lower.

Liden (2012) affirms that the influence of Western ideals is growing as a result of international travel and worldwide usage of the Internet, suggesting that globalization is a driver for improved and adaptable leadership practices, overcoming national boundaries, improving work relationships and productivity, thereby providing value for leaders and subordinates.

## Key Terms, Conceptual Framework and Propositions

### Work Values Ethic

WVE is defined as a constellation of work-related values and attitudes (Miller, Woehr, & Hudspeth, 2002). Meriac, Woehr, and Banister (2010) explain that WVE is an individual construct that is characterized by ‘a set of beliefs and attitudes reflecting the fundamental value of work’. Miller et al. (2002) developed the Multidimensional Work Ethic Profile, which includes six dimensions: hard work, self-reliance, morality/ethics, delay of gratification centrality of work dimensions, leisure and wasted time. Hard work refers to an increased level of effort as key to effective task accomplishment. Self-reliance refers to a drive toward independence in task accomplishment.

### Design Leadership

Design leadership is a new and emerging concept. It can be defined simply as the ‘means both to design and to lead – to lead design and to lead business by design’ (Design Management Institute, 2006, p. 2) and is also described as a form of leadership that creates and sustains innovative design solutions (Turner & Topalian, 2002). While it has been identified that the quality of design leadership contributes to the success or failure of designed and innovative outcomes, the definition of the concept of design leadership remains highly ambiguous.

## Workplace Innovation

Workplace innovation is defined as the implementation of new and combined interventions in the fields of work organization, human resource management and supportive technologies (Pot, 2011). The diffusion of innovative workplace practices has been found to help organizations develop capabilities and improve performance (Damanpour, Walker, & Avellaneda, 2009).

## Relationship between Leadership and Workplace Innovation in Asia

The link between leadership and innovation is increasingly gaining attention in the current research (García-Morales, Jiménez-Barrionuevo, & Gutiérrez-Gutiérrez, 2012; Gumusluoglu & Ilsev, 2009; Humphreys, McAdam, & Leckey, 2005; Makri & Scandura, 2010). The majority of studies (e.g., see Aragón-Correa, García-Morales, & Cordon-Pozo, 2007; Gumusluoglu & Ilsev, 2009; Kissi, Dainty, & Tuuli, 2013) investigate the positive effects of transformational leadership on innovation and organizational performance.

Historically Asian cultures have embraced Confucian values in their workplaces; while, more recently, these values and traditions have been merging with Western values (Rowley & Ulrich, 2012). Hsiao & Chang (2011) suggest that leaders who articulate a strong vision for innovation alongside a sense of self power strive for market success.

Jung and Avolio (1999) see transactional leadership as producing more innovation than transformational leadership. More recently, Rowley and Ulrich (2012) have argued that an approach that combines collectivism with transformational leadership achieves greater innovation in most cases, citing Japan as an exception to this rule. However, these authors could not find a clear correlation between benevolent leadership and performance.

Jung and Avolio (1999) believe that styles of Western leadership facilitate in producing more long-term goals and ideas, whereas Asian leadership styles work more for quantitative results relating to innovation. However, they do see collectivism as an influence on the latter due to the sense of honor and group harmony on transformational leadership that has the capacity of generating and producing more ideas.

Singapore's economy and innovation policies differ slightly from those of China and India, yet are still shaped by Confucian values (Lynn-Sze et al., 2014) and based on government control of the economy. However, the

countries have been able to successfully grow their economy by using incentives to generate highly skilled workers (Choo, 2005). These incentives include providing opportunities in higher education and benefits for working in highly skilled fields. As a result, Singapore has maintained higher economic and living standards, close to those of more developed countries. Choo (2005) adds that the Singapore government assisted its citizens after the 2001 recession by supporting innovation and entrepreneurial endeavors in small to medium enterprises. Similarly, Taiwan developed a more highly skilled workforce through improvements in education (Ministry of Education, 2003).

## Relationship between WVE and Leadership in Asia

A number of studies (Koonmee et al., 2010; Li & Madsen, 2010; McMurray & Scott, 2012) have identified WVE as key to improving relationships between management and employees and increasing employees' commitment toward greater productivity. Several studies (e.g., see Hunt, Wood, & Chonko, 1989; Jose & MS, 1999; Singhapakdi & Vitell, 2007; Valentin & Fleischman, 2008) have found a positive relationship between WVE and quality of work life, job satisfaction, organizational commitment and team spirit. A number of studies (e.g., see Butcher, 1987; Hitt, 1990; Klenke, 2005) confirm that ethics and effective leadership are positively related. Hitt (1990) suggests that ethical conduct and leadership are related by cause and effect. Work values including the protestant work ethic and work involvement are multilevel, multidomain antecedents of leadership behavior (Klenke, 2005).

Leaders in Confucian-influenced cultures are given respect and trust that they are the person fit for the job of enacting strategies (Lynn-Sze et al., 2014). Lynn-Sze et al. claim that leaders in these cultures, in turn, respect their workers through a sense of humanity, politeness and generosity. These values are also shaped by a sense of honor, humility and at all costs avoiding shamefulness (Low and Ang, 2013; Hunsaker, 2016).

There is evidence of the positive influence of these benevolent leadership values (Chan & Mak, 2012) and that of job satisfaction, greater commitment and performance (Liang et al., 2007), although more empirical research addressing these relationships is required.

While there is trust and respect in benevolent leadership, it has been suggested that distance can be created due to the power held by leaders (Hofstede, 2001). Coupled with the dominance of the patriarch in the family, this has produced a hierarchy in organizations that is male dominated. Consequently, according to Morley and Crossouard (2016), in Asia

the number of women holding senior leadership positions is low and hard to measure. These authors argue that women are not being identified and prepared for leadership roles.

Storz et al. (2013) describe how governments play a key role in the development of Asia. Most Asian governments, aside from Japan and Korea, dominate the ownership of business (Witt & Redding, 2013). The influence of capitalism generating institutional change in Asian countries, with Korea and China experiencing the most notable changes, provides new innovation outcomes by channeling workplace interactions between workers. Storz et al. (2013) agree that globalization is a contributing factor to these rapid economic changes.

Witt and Redding (2013) investigate the distinguishing characteristics of Asian capitalism, and how social capital, culture and informality and multiplexity are factors that require further investigation in the Asian context. The authors found parallels between hierarchical values and common top-down decision-making norms, agreeing that this is evident in Western culture in similar forms. These authors note that Japan's workplace culture is almost unique in that the participation of workers in decision-making is seen as important, with Hong Kong and Singapore the only other Asian countries with some level of employee participation in decision-making. Sivalogathan and Wu (2014) see the globalization of R&D as a catalyst for developing countries to catch up to Western levels of innovation. However, they acknowledge that there needs to be an active driver of R&D promotion that is supported by government (Fig. 1).

Based on the existing literature reviewed above, this chapter offers the following propositions.

*Proposition 1:* Design leadership has a significant effect on workplace innovation.

*Proposition 2:* Design leadership has a significant effect on the four dimensions of workplace innovation.

- *P 2a:* Design leadership has a significant effect on organizational innovation.
- *P 2b:* Design leadership has a significant effect on individual innovation.
- *P 2c:* Design leadership has a significant effect on team innovation.
- *P 2d:* Design leadership has a significant effect on workplace innovation climate.

*Proposition 3:* WVE has a significant effect on design leadership.

*Proposition 4:* Design leadership mediates the relationship between WVE and workplace innovation.

*Proposition 5:* Design leadership mediates the relationship between WVE and the four dimensions of workplace innovation.

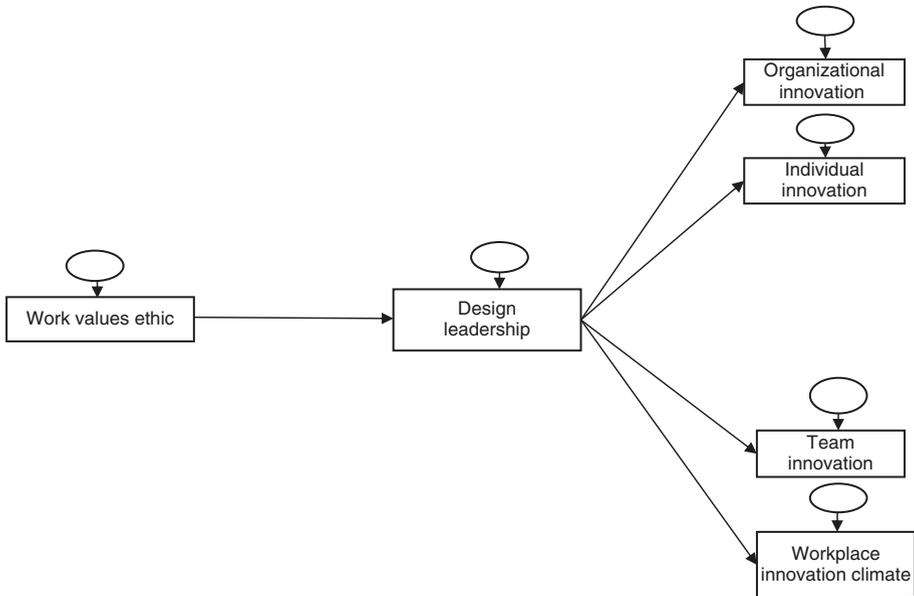


Fig. 1 Research framework

## Conclusion

The framework and propositions suggested in this chapter are intended to provide researchers with some understanding of the role of the three key variables and their interrelationships. However, these relationships need to be tested and confirmed in future research. In addition, it would be interesting to develop hypotheses based on the propositions and to test the hypotheses.

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# Leading Toward Creativity and Innovation: A Study of Hotels and Resorts

Solmaz Moghimi and Nuttawuth Muenjohn

## Introduction

The travel and tourism industry is considered as one of the most profitable and effectively developing sectors of the world economy. According to World Travel and Tourism Council (2015), this industry is growing even faster than other major industries such as automotive, financial and healthcare. This industry is also considered as an important sector in Iranian economy. Figure 1 represents the travel and tourism industry's total share of GDP, employment, exports and investment in this country.

Reviewing literature of travel and tourism suggested that this industry has experienced transformational changes (Law, Leung, & Cheung, 2012; Molina-Azorín et al., 2015; Orfila-Sintes, Crespi-Cladera, & Martínez-Ros, 2005), which require industry practitioners to be more innovative responding effectively to industry challenges and competitions (Fraj, Matute, & Melero, 2015; Kattara & El-Said, 2013). According to the literature, innovation contributes to the sustenance of a hotel's competitive advantage (Fraj, Matute, & Melero, 2015) and influences hotel's financial performance, sales growth, and customer loyalty and satisfaction (Nicolau & Santa-Maria, 2013; Enz et al., 2010; Ottenbacher & Gnoth, 2005; Victorino et al., 2005). Innovation is also described as an effective response to ever-increasing

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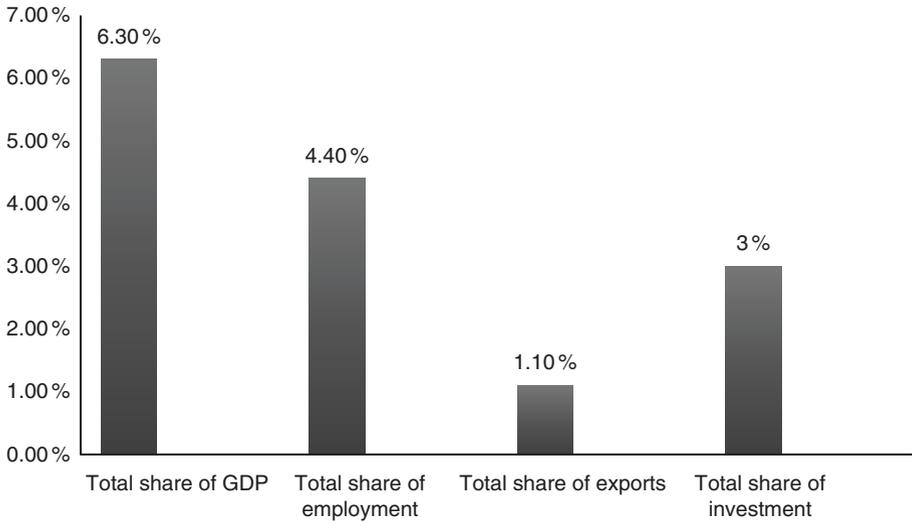
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**Fig. 1** Travel and tourism in Iran (Source: World Travel and Tourism Council, 2015)

demands of customers (Gisseman, Plank, & Brunner-Sperdin, 2013; Victorino et al., 2005; Enz et al., 2010).

There is agreement in the literature that employees' creativity and innovation benefits organizational innovation and effectiveness (Kattara & El-Said, 2013; Tajeddini, 2010; Hon, 2011; Nagy, 2014). Ottenbacher, Gnoth, and Jones (2006), for example, wrote that employees as organizational ambassadors contribute significantly to the hotel industry's change and innovation. Given the critical role of employees to enhance organizational creativity and innovation, researchers over the years have tried to understand the determinants and predictors of employee's creativity and innovation. Reviewing past literature showed leadership as an environmental and contextual variable that motivates and triggers individual creativity and innovation (Herrmann & Felfe, 2013; Jong & Hartog, 2007; Sokol et al., 2015; West & Sacramento, 2012). In the context of the hotel industry, leadership is also found to be vital in influencing subordinate's innovative behavior (Wong & Pang, 2003a; Wong & Chan, 2010). Using a survey of frontline employees in Norway's hotel industry, Slåtten, Svensson, and Sværi (2011) found empowering leadership positively and significantly influences employees' creativity and innovation. In another study, Wang, Tsai, and Tsai (2014), using a sample of 395 supervisor-subordinate dyads, found that transformational leadership positively impacts employees' self-efficacy and creativity in Taiwanese tourist hotels. The literature also demonstrates authoritarian leadership style that

stresses disciplines, routines, and personal power, centralizes decision-making on managers, and hinders employees' initiatives and idea generation (Nagy, 2014; Wong & Pang, 2003b). Acknowledging the importance of leadership toward employee creativity and innovation, this research is conducted to further explore and investigate the effects of innovation-enhancing leadership behaviors (ILB) on employees' creativity and innovation across the hotels and resorts in Iran.

Given the imperative role of employees' creativity and innovation to the success and competitiveness of hotels, and the importance of the tourism sector in Iran, this study seeks to bring together leadership and employees' creativity and innovation to contribute to both theory and practice by identifying perceptions of particular leadership behaviors impacting employees' creativity and innovation. Therefore, the main research objective underpinning this study is

- To examine the influence of perceived leadership behaviors on employees' creativity and innovation in the hotels and resorts in Iran

## Literature Review

### Research Context

Based on tourist attraction viewpoints, Iran was ranked as one of the top 10 attractive countries (Fatemi, Saleki, & Fatemi, 2012); however, it is placed 97th in travel and tourism economy among 141 economies worldwide (World Economic Forum, 2015). This shows that Iran's travel and tourism industry has the potential to function more effectively. Lack of high-quality tourist accommodations (Madani, Ghadami, & Sarafizadeh, 2012) and lack of training and development programs to deliver high-quality services (Iran's Society of Hoteliers, 2013) have been discussed in the literature as the obstacles in Iran's tourism industry. Accordingly, in Iran tourism strategy plans increasing employee skills and knowledge to deliver internationally competitive service offerings to tourists have been emphasized (Iran's Society of Hoteliers, 2013).

Innovativeness in the hotel industry is considered as the organization's ability to respond faster and more effectively to environmental changes (Fraj, Matute, & Melero, 2015). Innovation also enables the hotels to convert opportunities into new business ideas and enhance the organization's competitiveness and profitability (Nagy, 2014; Ottenbacher, 2007; Tsai et al.,

2015). This research, by focusing on the Iranian hotels and resorts industry, provides a broader understanding of how leadership behaviors influence employees' creativity and innovation. This research also provides practical recommendations for management and employee training and development programs in this context.

## Leadership

Leadership is a pivotal factor in employees' work environment (Yukl, 2008), which is found to impact employees' innovative behavior in various ways, by supporting subordinates' innovative endeavors (Wong & Pang, 2003a), articulating vision (Jong & Hartog, 2007), clarifying roles and tasks (Amabile et al., 2004), providing resources (Politis, 2005), clear planning and providing feedback (Amabile et al., 1996), and by motivating and inspiring subordinates (Gupta & Singh, 2013). Of all the contextual factors in employees' work environment, leadership has been found as one of the critical factors to achieve organizational and individual innovation (Mathisen, Einarsen, & Mykletun, 2012, McMahan & Ford, 2013; Wang et al., 2013).

To explore how leadership influences employees' creativity and innovation, over the years scholars examined the impact of various leadership theories and models. Transformational leadership was found to trigger subordinates', groups' and organizations' creativity and innovation (Jung, Wu, & Chow, 2008; Michaelis, Stegmaier, & Sonntag, 2009) through increasing subordinates' intrinsic motivation (Jung, Chow, & Wu, 2003) and creative self-concept perspective (Wang & Zhu, 2011). Literature also shows leader-member exchange theory that predicts the quality of leader and subordinate relationship influences employee's creativity and innovative behavior (Janssen & Van Yeperen, 2004; Scott & Bruce, 1994). Similarly, Tierney, Farmer, and Graen (1999) found that a high-quality leader-to-follower relationship is associated with employee's creativity. A survey of 1,292 employees of 136 primary care teams and their managers demonstrated the participative leadership emphasizing that shared decision-making and consultation with employees influences team innovation through team reflection (Somech, 2006). Zhang and Bartol (2010, p. 100) defined empowering leadership as 'sharing power with an employee by delineating the significance of the employees' job, providing greater decision-making autonomy and removing hindrances to performance', which was found to impact employee's innovative behavior by impacting employees' cognitive processes

(Krause, 2004) and self-determination (Forrester, 2000). Using a sample of 218 employees from the technology and service sector in Istanbul, Özarallı (2015) showed a positive connection between empowering leadership and employee creativity. Slåtten and Mehmetoglu (2011) also identified job autonomy is linked to employee engagement, which, in turn, is closely related to innovative behavior among 279 employees of hospitality organizations (e.g., hotels). One of the recent theories of leadership is authentic leadership, conceptualized based on self-awareness, high ethical standards, and positive psychological capacities (Walumbwa et al., 2008). Rego et al. (2012), using a survey of 201 employees from Portuguese manufacturing and service organizations, found that authentic leadership is positively related to employees' creativity and innovativeness. Authentic leadership endorses ethical standards (Valentine et al., 2011) and creates psychological safety that is suggested to enhance employees' freedom in generating new ideas (Rego et al., 2012).

Another phase of research qualitatively explored the association of leadership and employees' creativity and innovation; Gupta and Singh (2013) and Jong and Hartog (2007), using exploratory approaches, showed leadership as a significant factor affecting employee creativity and innovation and also identified a wide range of leadership behaviors that were likely to positively influence employees' creativity and innovation. Jong and Hartog (2007) found 13 leadership behaviors (including role modeling, providing vision, consulting and delegating) to affect employees' creativity and innovation in knowledge-intensive firms. Taking a similar approach, more recently Gupta and Singh (2013) identified four major categories of leadership behaviors – task-oriented, relation-oriented, team building and leading by example – motivated employees' creativity in the context of R&D in India.

Creativity and innovation are recognized as a vital pathway for hotels and resorts to compete effectively in international markets. As predictors of creativity and innovation, leadership behavior appears to show one of the most influential constructs in nurturing and enhancing creative and innovative behaviors. Leadership assists to produce a risk-tolerant working environment in which employees feel free to go beyond their job descriptions and participate in generation and application of new ideas. This research seeks to examine the influence of leadership behaviors in the hotels and resorts in Iran and discusses how the outcomes of this research are similar or different to the findings in the Asian context in order to provide a more comprehensive understanding of the association between leadership and innovation in the hotels industry.

## Employee's Creativity and Innovation

Although creativity and innovation have often been used as synonyms in the literature, innovation theorists (Axtell et al., 2000; Amabile et al., 1996; Scott & Bruce, 1994) defined them as two stages of the innovation process. Axtell et al. (2000, p. 266) distinguished creativity and innovation in such a way that 'creativity only refers to the generation of new ideas while innovation is a process that involves the generation, adoption, implementation and incorporation of new ideas or practices within the organization'. In this regard, Dorenbosch, van Engen, and Verhagen (2005) and Jong and Hartog (2010) conceptualized four sets of behavioral activities known as problem recognition/idea exploration, idea generation, idea promotion/idea championing, and idea realization/implementation to represent innovative work behavior. Following these discussions, this research distinguished creativity and innovation in its theoretical model and analysis. Creativity in this study is defined as generating new ideas and suggestions, while innovation refers to applying the developed ideas and suggestions within the organization.

In the literature of the hotel industry, innovation and differentiation have been highlighted as a means to respond effectively to market challenges and competitions (Ottenbacher, 2007). In the hotel industry, being innovative requires the proactive participation of employees due to the intangible nature of its services (Ottenbacher, 2007; Chang, Gong, & Shum, 2011). It has been argued that employees' creative ideas improve the quality of service offerings and organizational effectiveness (Kattara & El-Said, 2013; Tajeddini, 2011; Wong & Ladkin, 2008). It is suggested that training multiskilled employees in the hotel industry influences creativity and innovation in terms of incremental and radical innovations (Chang, Gong, & Shum, 2011). The significant role of employees in innovation practices in this context has motivated researchers to identify how employees' creativity and innovation can be encouraged (Nagy, 2014, Chen, 2011). Individual factors, such as employee's commitment (Ottenbacher) and organizational culture, and strategic human resources (Chen, 2011; Wong & Pang, 2003a; Tsai et al., 2015; Slåtten, Svensson, & Sværi, 2011) have been recognized as determinants of employee creativity and innovation in the hotel industry. Wong and Pang's (2003a) exploratory study in Hong Kong's hotel industry highlighted the importance of organizational context in triggering employees' creativity and innovation. This research indicated that managerial support, shared decision-making, reward and recognition, autonomy and

flexibility and open organizational policy positively affect employees' innovative behavior. Leadership professionalism (Wong & Chan, 2010) and a supportive work environment were also found to influence employee's creativity (Tsai et al., 2015) in the context of the hotel industry. Leadership is a critical work environment factor in the context of the hotel industry considering its labor-intensive nature (Wong & Chan, 2010; Clark, Hartline, & Jones, 2008), which was found to have a significant impact on employees' innovative behavior (Slåtten, Svensson, & Sværi, 2011; Slåtten & Mehmetoglu, 2011).

## Research Methodology

### Sample

The target population of this study included all three-star, four-star, and five-star hotels and resorts in Iran. According to the literature, higher categories of hotels tend to be more innovative than lower categories, and hotel chains provide a supportive environment for innovation endeavors (Orfila-Sintese, Crespi-Cladera, & Marti'nez-Ros, 2005). Data collection for this study was undertaken by distribution of 338 questionnaires to three-star, four-star, and five-star hotels and resorts in Iran. In total, 107 usable responses were collected indicating 31.6% response rate, which, according to Sekaran and Bougie's (2010) recommendation, is acceptable for this research considering the sample population (Fig. 2).

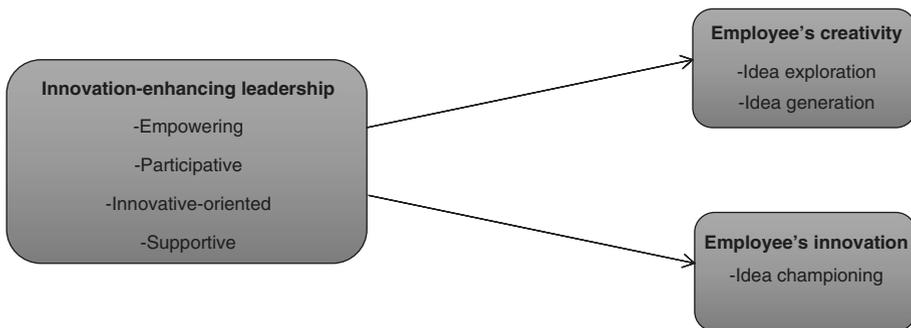


Fig. 2 Research conceptual framework

## Measures

### Innovation-Enhancing Leadership

Leadership behaviors were measured using the ILB instrument. The outcomes of reliability and validity analysis demonstrated internal consistency (Cronbach's alpha coefficient  $> 0.70$ ), and divergent and discriminant validity of the instrument. The ILB questionnaire includes 37 items, which examine seven major categories of ILB:

1. Empowering: (example item: empowers me to make important decisions and take control over how to accomplish my tasks)
2. Participative: (example item: involves me in decision-making and my ideas are listened to and valued)
3. Innovative-oriented: (example item: organizes meetings to give subordinates the opportunity to voice their ideas and suggestions)
4. Supportive: (example item: encourages positive interactions and collaboration among employees)
5. Consultative-advisory: (example item: nominates subordinate for relevant training courses and information sessions)
6. Charismatic: (example item: creates and expresses a clear vision and brings up new ideas about possibilities and opportunities for the future)
7. Authoritative: (example item: discourages others from making decisions and taking independent actions)

### Employee's Creativity and Innovation

Following current approaches to the study of innovative behavior (Dorenbosch et al., 2005; Jong & Hartog, 2010), this study distinguished between creativity (idea exploration and generation) and innovation (idea championing and implantation). Items in this research were also adapted from measures, which have been used widely in the literature with internal reliability and validity established by prior studies. This approach was done to make the questionnaire less abstract and more adequate for the purpose of this research (Dorenbosch et al., 2005). The construct of employees' creativity measure included 11 self-reporting items, which were borrowed from Jong and Hartog (2010), McMurray & Dorai (2003), Krause (2004), Janssen (2000), and Dorenbosch et al., (2005). To measure innovation, 11 self-reporting items were adapted from Scott and Bruce (1994), Jong and

Hartog (2010), McMurray and Dorai (2003), and Dorenbosch et al. (2005), Janssen (2000), and Scott and Bruce (1994). The employee's creativity and innovation measures were also shown to have acceptable internal reliability (Cronbach's alpha coefficient > 0.70) and evidence of construct validity.

*Employee's creativity:* idea exploration (example item: I am constantly thinking of new ideas to improve my workplace), idea generation (example item: I generate ideas to improve or renew services my department provides).

*Employee's innovation:* idea championing (example item: I make important organizational members enthusiastic about innovative ideas), idea implementation (example item: I contribute to the implementation of new ideas).

All items were measured on a five-point Likert scale that ranged from 1 (*strongly disagree*) to 5 (*strongly agree*). Alpha is an indicator of how well the sample of items captures the construct (Sekaran & Bougie, 2010). Cronbach's alpha was conducted to assess the reliability of all measurement instruments. Cronbach's alpha was higher than 0.7 for all of the factors underlying the ILB instrument. Cronbach's alpha for the measures of employee creativity and innovation, as well as for the dimensions underlying each variable, was higher than 0.7.

## Result Analysis

### Demographic Characteristics of Respondents

Of a total 107 responses, females represented 64.5% of the sample population; male respondents comprised 35.5% of the sample. The majority of respondents was in the middle-age groups, 25–30 years old and had at least a bachelor's degree.

The distribution based on current organizational position demonstrated that 58 of the respondents (54.2%) worked in managerial/supervisory positions while 49 (45.8%) worked in staff positions. In terms of tenure, the majority of respondents ( $N: 41$ ; 38.3%) had been employed between 1 and 3 years, followed by 33.6% who had been more than 7 years in their current hotel/resort. The sample distribution based on the establishment category demonstrated that 84 (78.5%) of the participants were from hotels. The majority of the sample was from local chains of hotels and resorts (60.7%), followed by 39.3% from nonchain hotels and resorts. In addition, the majority of respondents were from five-star and four-star hotels and resorts, with 44 and 35 participants, respectively.

## Findings

Statistical Package for Social Science was utilized to conduct simple and multiple regression analysis. To ascertain that there was no violation of the assumptions for regression analysis, the following analyses were conducted based on Pallant (2011) and Tabachnik and Fidell's (2007) recommendation: sample size, multicollinearity, outliers, and normality. The significance level ( $P$ -value) for each variable should be less than 0.05 to indicate that the variable is significantly contributing to the prediction of the dependent variables including employee's creativity and innovation (Pallant, 2011).

The results presented in Table 1 demonstrate that innovation-enhancing leadership construct is positively and significantly related to employee's creativity in Iranian hotels and resorts ( $\beta$ : 0.542,  $P$ : 0.05), explaining 29.4% of the variance in employees' self-reported creativity. Multiple regression analysis assisted to analyze the effect of different categories of ILB on employees' creativity in Iranian hotels and resorts. Of all leadership behaviors, empowering leadership ( $\beta$ : 0.245,  $P$ : 0.000) and participative leadership ( $\beta$ : 0.229,  $P$ : 0.033) determine significant and positive association with employee's creativity ( $R^2$ : 0.364). Empowering leadership and participative leadership explain 36.4% of the variance in employee's creativity.

As can be seen from Table 2, there is a positive and significant relationship between perceived ILB and employees' self-reported innovation in Iranian hotels and resorts ( $\beta$ : 0.640,  $P$ : 0.000), explaining 41% of the variance in employee's innovation. Multiple regression analysis demonstrated that participative ( $\beta$ : 0.334), charismatic ( $\beta$ : 0.240), and empowering leadership ( $\beta$ : 0.205) have a significant influence on employees' innovation. According to

**Table 1** Regression model: innovation-enhancing leadership and employee's creativity, Iranian hotels and resorts

Regression model	Degree of employee's creativity		
	$\beta$	$t$ -Value	$P$ -value
Innovation-enhancing leadership ( $R^2$ : 0.294, adjusted $R^2$ : 0.287)	0.542	6.607	0.000
Charismatic behaviors	0.140	1.426	0.157
Empowering behaviors	0.245	2.836	0.006
Participative behaviors	0.229	2.159	0.033
Innovative-oriented behaviors	0.110	1.263	0.210
Supportive behaviors	0.052	0.613	0.541
Consultative behaviors	0.142	1.544	0.126
Authoritative behaviors	-0.060	-0.713	0.477

$R^2$ : 0.364, adjusted  $R^2$ : 0.319

**Table 2** Regression model: innovation-enhancing leadership and employee's innovation, Iranian hotels and resorts

Regression model	Degree of employee's innovation		
	$\beta$	t-Value	P-value
Innovation-enhancing leadership ( $R^2$ : 0.410, adjusted $R^2$ : 0.404)	0.640	8.536	0.000
Charismatic behaviors	0.240	2.732	0.007
Empowering behaviors	0.205	2.479	0.015
Participative behaviors	0.334	3.509	0.001
Innovative-oriented behaviors	-0.027	-0.340	0.735
Supportive behaviors	0.144	1.879	0.063
Consultative behaviors	0.097	1.247	0.215
Authoritative behaviors	0.042	0.549	0.584

$R^2$ : 0.487, adjusted  $R^2$ : 0.451

this result, participative, charismatic, and empowering leadership behaviors explain 48.7% of employee innovation.

## Discussion

The positive relationships found between leadership and employees' creativity and innovation in the Iranian hotel industry concur with the existing literature. Various research studies that have examined the association of leadership and employee's innovative behavior have reported that leadership is a significant factor in the organization predicting employee creativity and innovation (Yoshida et al., 2014; Qu, Janssen & Shi, 2015; Wang, Tsai, & Tsai, 2014). Leaders substantially impact employees' work environment and daily experiences by providing resources, coaching, consulting, and defining the scope of responsibilities and autonomy (Jong & Hartog, 2007; Gupta & Singh, 2013). The literature on the topic of leadership and innovation has promoted various leadership styles and theories as useful in supporting follower creativity and innovation. For example, transformational leadership (Qu, Janssen, & Shi, 2015), participative leadership (Krause, Gebet, & Kearney, 2007), empowering leadership (Slåtten, Svensson, & Sværi, 2011), servant leadership (Yoshida et al., 2014), and ethical leadership (Chen & Hou, 2016) have been found as determinants of employee creativity and innovation.

The multiple regression analysis conducted in this research suggested that in the Iranian hotel industry various leadership behaviors account for employees' creativity and innovation. Similarly, Jong and Hartog (2007)

and Gupta and Singh (2013) found a wide range of leadership behaviors impacting employees' creativity and innovation; they concluded that leaders, by practicing various leadership behaviors, influence employees' creativity and innovation. Hunter and Cushenbery (2011) also suggested that leadership for creativity and innovation is a multifactor phenomenon comprising more than one element. In regard to the Iranian hotel industry, empowering leadership and participative leadership behaviors were found to positively and significantly influence employees' creativity, while participative, charismatic, and empowering behaviors were positively and significantly related to employees' innovation. This finding indicates leadership behaviors that empower employees to make decisions and encourage subordinates' involvement and participation influence employees' creativity in hotels and resorts in Iran. In addition, charismatic leadership behavior that focuses on creative role modeling, sensitivity to employee's individual needs, and articulating an inspirational vision are suggested by this research as outcomes that affect employees' innovation in Iranian hotels and resorts. The leadership behaviors identified in this study as predictors of employee's creativity and innovation are in line with previous research findings in the context of the hotel industry. For example, Slatten (2011) found that the quality of the relationship between leader and subordinate was related to employees' innovative behavior in the Norwegian hotel industry. In another study, Nagy (2014) identified a management style that discourages employee participation in decision-making, hindering their innovative behavior in the Romanian hotel industry. Participative leadership enhances employees' participation and involvement; scholars endorsed this leadership style to be effective in the hospitality context (Clark, Hartline, & Jones, 2008). The authors expressed that participative leadership behaviors provide the opportunity for employees to liaise between management and guests. Drawing on a sample of 140 primary care teams and corresponding managers in Israel, Somech (2006) suggested that a participative leadership style by sharing decision-making power significantly influences team innovation through team reflection. Jong and Hartog (2007) and Wong and Pang (2003a), in their exploratory studies, found that supportive work environment, recognition, and reward are linked to employees' creativity and innovation. In another study, Hulsheger, Anderson, and Salgado (2009) showed a positive relationship between team innovation and support for the innovation in organization. Similarly, Krause (2004) investigated the leadership support for innovation determines idea generation and implementation.

To provide a more comprehensive understanding of leadership behaviors that are important in enhancing employees' creativity and innovation, this

research also reviewed the scholarly research that addressed the topic of leadership and innovation in Asia. This review showed that the leadership behaviors identified in this research to be associated with employees' creativity and innovation are in line with past research in the context of Asia. For example, Wong and Pang (2003a) explored the determinants of employees' creativity in the Hong Kong hotel industry; they concluded that managers' support influenced subordinates' self-determination and personal initiative, which enhances their idea generation. Using a sample of 185 employees working at international tourist hotels in Taiwan, Chen (2011) found that organizational environmental factors have a significant role in shaping employees' innovative behaviors. This study found that support and recognition from top managers inspire employees' novel suggestions and ideas. Hon (2011), on a sample of 286 employees from 20 hotels in China, asserted that social-contextual variables such as empowering leadership significantly affect employee creativity in this industry. Zhang, Tsui, and Wang (2011), drawing on a sample of 973 employees in 12 Chinese organizations, found that charismatic behaviors, inspiring vision, and individualized support increase the level of employees' creativity. Zhang and Bartol (2010), in another study using a sample of 498 employees from China's information technology sector, realized that empowering leadership affects employees' creativity indirectly through creative process engagement and psychological empowerment. Transformational leadership was found to influence employees' creativity by encouraging psychological empowerment among Chinese pharmaceutical companies. Cheung and Wong (2011), using a sample of 182 supervisor-subordinate dyads, identified that leaders' support directly and intrinsically encouraged employees to generate new ideas.

However, it is also suggested that leadership is a context-specific phenomenon and is influenced by other factors as well (Mumford & Licuanan, 2004; Rosing et al., 2011). According to the literature, culture as a contextual element matters (House et al., 2004). In studying leadership and culture, one approach is to consider leadership as being generalizable or universal regardless of context (Steers, Sanchez-Runde, and Nardon 2012) versus considering leadership as culturally contingent, implying that factors related to leadership effectiveness may vary across cultures (House et al., 2004; Steers, Sanchez-Runde, & Nardon, 2012). It is argued that generalizing leadership across cultures can lead to vague results (Lee, Scandura, & Sharif, 2014) as employees in different cultures may react differently to the same leadership practices (Muenjohn and Armstrong, 2007). This discussion is in line with previous cultural studies (Hofstede, 2001; House et al., 2004; Lee, Scandura, & Sharif, 2014; Pimpa & Moore, 2012) that indicate that organizational and

managerial procedures are influenced by national culture, which impacts on individual norms and values. Similarly, Faris and Parry (2011) noted that context determines how and why different leadership styles can be successful and effective or otherwise. Therefore, this research suggests that the incorporation of culture in future research will benefit the body of knowledge in regard to the impact of leadership behaviors on followers' creativity and innovation in different contexts.

## Conclusion and Implication

This study examined the associations among ILB and employees' creativity and innovation in Iranian hotels and resorts. The findings indicate that innovation-enhancing leadership constructs positively and significantly influences employees' creativity and innovation. The evidence from this research suggests that leadership plays a critical role impacting employees' innovative behavior. The identified leadership behaviors in this research may assist hotel industry managers and leaders to better understand how employee participation in creativity and innovation practices can be enhanced. The findings in this research are twofold in the way they make a significant contribution to both literature and workplace practice in the hospitality context. The important role of skilled and trained employees to deliver excellent and unique service has been highlighted in the literature of the hospitality industry (Ottenbacher, Gnoth, & Jones, 2006). It is suggested that training is an effective response to the market challenges in this industry (Martínez-Ross & Orfila-Sintes, 2012), and an organization's innovation is related to its development of general and individual training (Ottenbacher, 2007). Therefore, this research, by exploring leadership behaviors that influence employees' innovation, contributes to the development of leadership practices and guidelines to encourage innovation. One of the significant contributions of this study is employing an ILB instrument. This instrument measures a wide range of leadership behaviors including seven major categories of leadership behavior to provide a more comprehensive knowledge of leadership behaviors that account for subordinates' creativity and innovation. This research investigated the particular leadership behaviors that are most likely to foster creativity and innovation in Iran's hotel industry. Empowering, participative, and charismatic leadership behaviors were found to be important determinants of creativity and innovation. Therefore, another implication of this study is investigating

what particular leadership behaviors need to be encouraged in hospitality organizations in Iran.

The results of this research also revealed that the impact of the innovation-enhancing leadership construct on employees' innovation is stronger than its influence on their creativity in Iranian hotels and resorts. Perceived ILB explained more of the variance in employee innovation, which refers to the implementation stage after idea generation. This finding can be explained by the fact that leaders have more access to resources, which is considered as a vital element for successful innovation practices. Jong and Hartog (2007) also found that providing resources influences only subordinates' implementation and application behavior. Further, innovative behavior has been theoretically conceptualized as a multidimensional phenomenon; however, empirical studies mainly focused only on the idea generation or the implementation stage. This research, by distinguishing between creativity and innovation, clarified the influence of a range of leadership behaviors in regard to each dimension of innovative work behavior.

Although the travel and tourism industry is considered as one of the most profitable and effectively evolving sectors of the world economy, limited research has addressed the topic of creativity and innovation in this context. This research broadens the body of knowledge on the topic of creativity and innovation determinants in Iranian hotels and resorts. Considering the ongoing developments in the travel and tourism industry, it has been suggested in the literature that academic research can assist industry practitioners by providing guidelines that enhance operational and managerial deficiencies (Van Scotter & Culligan, 2003; Law, Leung, & Cheung, 2012). Fraj, Matute, and Melero (2015), using a sample of 232 Spanish hotels, directors, owners, and managers, found that organizational capabilities certainly do not generate competitive advantage, what matters is the hotel learning orientation and innovation predict the effectiveness of environmental strategy and competitiveness. Reviewing the literature reveals that the lack of high-quality hotels and related service offerings is among the obstacles to the efficient performance of the tourism sector in Iran (Iran Society of Hoteliers, 2013; Madani, Ghadami, & Sarafizadeh, 2012). The list of identified leadership behaviors provides solid contributions to the existing theories of leadership and also offers significant implications for hotel industry leaders who wish to identify appropriate and effective leadership characteristics. The explored behaviors may be incorporated into the modules of leadership training and evaluation to trigger and sustain individual creativity and innovation.

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# Leadership and Workplace Innovation: An Investigation of Asian SMEs

Nuttawuth Muenjohn and Adela McMurray

## Introduction

The literature identifies national culture as one factor that impacts on the way in which managers lead their subordinates and therefore suggests that managers adopt a particular, or adjust their current, leadership style. For example, the different cultural backgrounds of Australians and Thais (Hofstede, 1984) influence their styles of leadership. Australian leaders tend to be participative, direct, and willing to take more risks than their Thai counterparts (Muenjohn, Armstrong, & Hoare, 2012). However, few studies have explored the relationship between values at the individual level and leadership behavior. This study approaches leadership theory from an individual level, which is also known as a dyadic process (Lussier & Achua, 2015). In particular, using leadership as an independent factor that impacts on workplace innovation is necessary to investigate this relationship in performance-based organizational environments (Everett & Sitterding, 2011).

Design leadership, an emerging concept, is defined simply as the ‘means both to design and to lead – to lead design and to lead business by design’ (Design Management Institute, 2006, p. 2) and is described as a form of leadership that creates and sustains innovative design solutions (Topalian, 2011). While the quality of design leadership is believed to contribute to the

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success or failure of designed and innovative outcomes, the notion of design leadership is still highly ambiguous.

The purpose of this study was to investigate the relationship between design leadership and workplace innovation in Thai and Vietnamese small to medium enterprises (SMEs). The research question underpinning this study was

Q1: What is the relationship between design leadership and workplace innovation?

The remainder of this chapter presents the literature review, data analysis, findings, and conclusion, which together provide empirical evidence to advance our understanding of the impact of leadership behavior on workplace innovation.

## Literature Review

### Design Leadership

Design leadership is increasingly attracting attention from academic researchers and practitioners in today's industries (Hoozée & Bruggeman, 2010; Lee & Cassidy, 2007; Muenjohn et al., 2013). However, there is no clear definition of the concept of 'design leadership'. Although the importance of leadership in design functions is confirmed in the literature (Design Management Institute, 2006), yet how leadership nurtures innovation in the workplace has not been rigorously investigated (Bruce & Bessant, 2002; Cooper & Press, 1995). Participative and collaborative leadership styles are important for design teams (Cooper & Press, 1995), where creative leadership is the essential ingredient shaping the performance of the design team (Bruce & Bessant, 2002). According to Turner and Topalian (2002), design leadership consists of dimensions such as envisioning the future, directing design investment, manifesting strategic intent, and nurturing the design environment. In this study, design leadership is defined as a process whereby leaders influence the building of a commitment to the organization's vision by developing strategic design and nurturing a design and innovation environment (Muenjohn et al., 2013).

### Workplace Innovation

Workplace innovation is defined as the implementation of new and combined interventions in the fields of work organization, human resource management, and supportive technologies (Pot, 2011). To increase cohesion

among employees, it is necessary to foster collective problem-solving and workplace innovation (Funk, 2014). The diffusion of innovative workplace practices assists organizations in developing capabilities and improving their workgroup climate and performance (Damanpour, Walker, & Avellaneda, 2009; McMurray et al., 2012). According to research conducted by the Economic Institute for SMEs in the Netherlands, workplace development projects facilitate increased organizational productivity and financial results (Pot, 2011). In this study, workplace innovation is viewed as a process comprising the following four dimensions: organizational innovation, innovation climate, team innovation, and individual innovation (McMurray & Dorai, 2003). The majority of SMEs experience constraints such as a lack of finances, resources, and skilled labor; hence, workplace innovation becomes even more important for SMEs in seeking to achieve competitive advantage in today's marketplace.

## Leadership and Innovation in SMEs

Leadership and innovation are positively related to SMEs' performance (Sidik, 2012; Sok, O'Cass, & Sok, 2013; Tseng, Lin, & Vy, 2012; Varis & Littunen, 2010). The combined effects of marketing, innovation, and learning capabilities also have a positive relationship with SME performance (Sok et al., 2013). The mediating effect of technology innovation capabilities and firm performance in Vietnam was investigated by Tseng et al. (2012), who found that Vietnamese enterprises who invested in the seven dimensions of technology innovation capabilities were more likely to have a competitive advantage and become leaders in the marketplace. These seven areas are learning, research and development, resource allocation, manufacturing, marketing, organizational, and strategic planning capabilities. According to Carneiro (2008), strategic leadership contributes to increased innovative efforts and positive innovation results. A longitudinal study of innovation implementation in SMEs over a 6-year period revealed that innovation implementation in SMEs requires ongoing effort, commitment, and organizational understanding beyond that of continuous improvement (Humphreys, McAdam, & Leckey, 2005).

Numerous studies identify that a manager's leadership behavior is the most important factor influencing an SME's organizational innovation (Carneiro, 2008; Jung, Wu, & Chow, 2008; Sidik, 2012). This is because SMEs, in contrast to large firms, are dominated by entrepreneurs (Sidik, 2012). An entrepreneur's innovativeness and personality thus play a key role

in SMEs' adoption of innovation (Marcati, Guido, & Peluso, 2008). Transformational leadership, which is implemented in adaptive leadership behavior, is considered more effective compared to other leadership styles in enhancing organizational innovation (Gardner & Avolio, 1998; Jung et al., 2008; Lowe, Kroeck, & Sivasubramaniam, 1996). Indeed, a number of studies found a CEO's transformational leadership style to be positively associated with organizational-level outcomes and innovation (Jung, Chow, & Wu, 2003; Zhu, Chew, & Spangler, 2005).

Based on the research question informed by the literature review and analysis, this study proposes the following hypotheses:

H1: Design leadership has a significant effect on the four dimensions of workplace innovation.

- H1a: Design leadership has a significant effect on organizational innovation.
- H1b: Design leadership has a significant effect on individual innovation.
- H1c: Design leadership has a significant effect on team innovation.
- H1d: Design leadership has a significant effect on innovation climate.

## Research Method

Staff employed in SMEs in Thailand and Vietnam were approached via an online questionnaire. The response rate yielded 696 usable questionnaires, representing approximately a 34% response rate.

The questionnaire was comprised of the Design Leadership Questionnaire developed by Muenjohn (see Muenjohn et al., 2013), which includes 18 items. The 24-item Workplace Innovation Scale instrument developed by McMurray and Dorai (2003) measured the four dimensions of workplace innovation. All instruments have demonstrated high levels of reliability in previous studies conducted in various contexts.

## Analysis and Results

### Instruments

A series of reliability checks were conducted to provide evidence that the four constructs – design leadership, design process, team satisfaction, and team performance – produced the data for which they were designed. The values

of Cronbach's alpha were = 0.911 (design leadership) and 0.913 (workplace innovation).

The majority of the respondents were employed in leadership positions (approximately 80%) and were aged in either the 31–40-year-old category (33%) or the 41–50-year-old group (28%). Of the total, 39.7% were male and 59.2% female, with the majority being married (63.4%) and the remainder (32.2%) single. About 74% of the respondents held a certificate/diploma and bachelor's or master's degree, as shown in Table 1.

**Table 1** Demographic characteristics of respondents ( $N = 696$ )

Characteristics	<i>n</i>	%
<i>Position</i>	28	4
CEO	340	48.9
Owner	36	5.2
Senior manager (i.e., director)	114	16.4
Middle manager (i.e., department manager)	35	5
Supervisor	100	14.4
Staff member	32	4.6
Other	11	1.6
Missing		
<i>Age (years)</i>	40	5.7
Up to 25	158	22.7
26–30	226	32.5
31–40	194	27.9
41–50	60	8.6
51–60	11	1.6
61 and above	7	1
Missing		
<i>Gender</i>	276	39.7
Male	412	59.2
Female	8	1.1
Missing		
<i>Marital status</i>	224	32.2
Single	441	63.4
Married	25	3.6
Other	6	0.9
Missing		
<i>Education level</i>	139	20
Secondary education	106	15.2
Certificate/diploma	317	45.5
Bachelor's degree	89	12.8
Master's degree	6	0.9
PhD or doctorate	28	4
Other	11	1.6
Missing		

## Mean Scores of Design Leadership, Workplace Innovation, and Work Values Ethic

Table 2 provides the mean and standard deviation distributions for all variables at their dimension levels. The total design leadership variable scored a mean of 2.98, the total workplace innovation scored 2.88, and total work values ethic scored a mean of 3.23. At the dimension level, envisioning the future had the highest mean score ( $M = 3.05$ ) for the design leadership variable. Of the four dimensions of workplace innovation, the organizational innovation dimension scored the highest mean ( $M = 2.90$ ).

### *Effect of Design Leadership on the Four Dimensions of Workplace Innovation*

To test H1a to H1d, a standard multiple regression was performed between design leadership and each dimension of workplace innovation separately as a dependent variable. The results are displayed in Table 3. By using the enter method, significant effects emerged for all four models, which provided support for all four hypotheses. For H1a, the results indicated that design leadership has a significant effect on organizational innovation, and the dimensions of design leadership predicted 51.2% (adjusted  $R^2$ ) of the variability in organizational innovation. For H1b, the results indicated that design leadership has a significant effect on individual innovation, and the dimensions of design leadership predicted 43% (adjusted  $R^2$ ) of the variability in individual innovation. For H1c, the results indicated that design leadership has a significant effect on team innovation, and the dimensions of design leadership predicted 37.9% (adjusted  $R^2$ ) of the variability in team innovation. Finally,

**Table 2** Mean scores ( $N = 696$ )

Measures	Mean	SD
Design leadership	2.98	0.47
Envisioning the future	3.05	0.51
Directing design investment	2.96	0.54
Manifesting strategic intent	2.92	0.54
Creating and nurturing an innovative environment	3.00	0.52
Workplace innovation	2.88	0.48
Organizational innovation	2.90	0.54
Individual innovation	2.89	0.54
Team innovation	2.85	0.59
Innovation climate	2.89	0.56

**Table 3** Regression results of design leadership on the four dimensions of workplace innovation

Design leadership	H2a		H2b		H2c		H2d	
	Organizational innovation							
	B	$\beta$	B	$\beta$	B	$\beta$	B	$\beta$
1. Envisioning the future	0.248	0.233***	0.118	0.112*	0.043	0.038	0.1	0.053
2. Directing design investment	-0.003	0.952	0.136	0.137***	0.106	0.098*	0.14	0.003**
3. Manifesting strategic intent	0.379	0.374***	0.251	0.250***	0.297	0.271***	0.312	0.000***
4. Creating and nurturing creative environment	0.194	0.188***	0.243	0.238***	0.309	0.277***	0.249	0.000***
$R^2$	0.515		0.433		0.383		0.459	
Adjusted $R^2$	0.512		0.430		0.379		0.456	
$F_{4, 691}$	183.282		132.058		107.052		146.705	
Model significant	0.000		0.000		0.000		0.000	

Note: \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

for H1d, the results indicated that design leadership has a significant effect on innovation climate, and the dimensions of design leadership predicted 45.6% (adjusted  $R^2$ ) of the variability in innovation climate.

## Discussion and Conclusion

The multiple regression analysis revealed that design leadership has a significant effect on workplace innovation. This finding contributes to refining the newly emerging literature specific to design leadership and workplace innovation. In particular, the results indicated that design leadership has a significant effect on all four dimensions of workplace innovation, especially organizational innovation.

At a general level, this finding is consistent with the studies of Gumusluoglu and Ilsev (2009) and Jung et al. (2003), who contend that transformational leadership has a positive relationship with organizational innovation. However, our study extends this literature to include design leadership along with transformational leadership in establishing a significant relationship with innovation. In addition, a second more significant contribution to the literature is through the identification of the way in which the specific dimensions of design leadership and workplace innovation are correlated, which, to date, the literature has not identified. Furthermore, the results demonstrate that design leadership has significant effects on individual and team innovation. As suggested by Becan, Knight, and Flynn (2012), the employee's skills in adapting innovation thinking are strengthened due to the support of creative leaders. Kissi, Dainty, and Tuuli (2013) found that innovation championing and an innovation climate mediate the relationship between transformational leadership and project performance. The hypothesis results indicated that design leadership has a significant effect on workplace innovation climate. The findings support the research of Becan et al. (2012), Ryan and Tipu (2013), and Simpson (2009), who claim that leadership style and staff empowerment foster a workplace innovation environment. Our results extend the existing literature to include design leadership as complementary to transformational leadership and its relationship with aspects of innovation, thus building and extending leadership theory.

This study establishes the relationship between design leadership and workplace innovation. The findings clearly support Amabile et al.'s (2004) interactionist approach, which is based on the theory that innovation is influenced by workplace contexts – in this study, the Asian SME context.

We cannot assume a global leadership approach to workplace innovation; therefore, future studies may consider replicating this study in Western countries. Limitations of this study included that it was conducted in the SME context, and that the population sample was predominantly female and unevenly distributed across the two countries.

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# Innovation Initiatives and Its Impact Among Malaysian University Lecturers

Cheng Sim Quah and Sandra Phek Lin Sim

## Introduction

‘The 21st-century workforce is global, highly connected, technology-savvy and demanding’ (Global Human Capital Trends, 2014, p. 2). In order to keep pace with the twenty-first-century workforce, organizations need ambitious, passionate and purposeful employees. Unfortunately, ‘critical new skills are scarce and their uneven distribution around the world is forcing companies to develop innovative new ways to find people, develop capabilities and share expertise’ (Global Human Capital Trends, 2014, p. 3). Innovativeness has been considered as one of the survival elements in the modern environment. Organizational innovation performance is defined as the propensity of a firm to actively support new ideas, novelty, experimentation and creative solutions (Wang & Ahmed, 2004). Many organizations can benefit from creating and sustaining a culture that supports innovation. Thus, this study

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emphasized the salient motivation factors towards innovation initiatives and its impact on the organization as well as the members of the organization in order to fulfil the needs of the twenty-first-century workforce.

The findings of this study will help to enhance the awareness among university staff pertinent to innovation initiatives. This study is significant as it indicates that intrinsic motivation among staff in an organization serves as the central driving force for the success of innovation initiatives. Moreover, the results of this study will be useful to examine the strengths and weaknesses of the university staff when contributing to innovative works. Therefore, in general, this study could strengthen the role and responsibilities of Malaysian university staff as innovative leaders.

## Literature Review

Even though many organizations are committed to initiate innovation, they often lack a clear understanding of how to translate theories on innovative characteristics and behaviours of employees into practical solutions. It is imperative that an organization needs to have effective ways of searching the signals to motivate innovation possibilities.

Importantly, every organization needs access to a ready supply of well-prepared leaders in taking steps to encourage and motivate staff to initiate innovation. Innovation also requires the ability to lead and execute continuous change. Perry and Porter (1982) summarized motivation as the direction and quality of the effort, which 'energizes, directs, and sustains behaviour'. Motivation helps individuals to develop, as do organizational factors like management support, resources, work group features, reward systems, adequate evaluation process, challenge and freedom (Van Dijk & Van den Ende, 2002; Amabile, 1988). Motivation to innovate is how people become willing to adopt a sense of the need to change in the workplace. Hassan and Reza (2013) proved that there was a strong relationship between management performance (including interesting job with good salary, appreciation for good work, good working conditions, feeling of being involved in things, organizational loyalty, tactful discipline and sympathy with employees) and employees' motivation.

The success of innovation in an organization is also dependent on teamwork between the organization leaders and the staff, as well as among the staff within the organization. Hoegl and Gemuenden (2001) developed a comprehensive concept of collaboration in teams, called teamwork quality

(TWQ) which include six facets of the TWQ construct, that is, communication, coordination, balance of member contributions, mutual support, effort and cohesion.

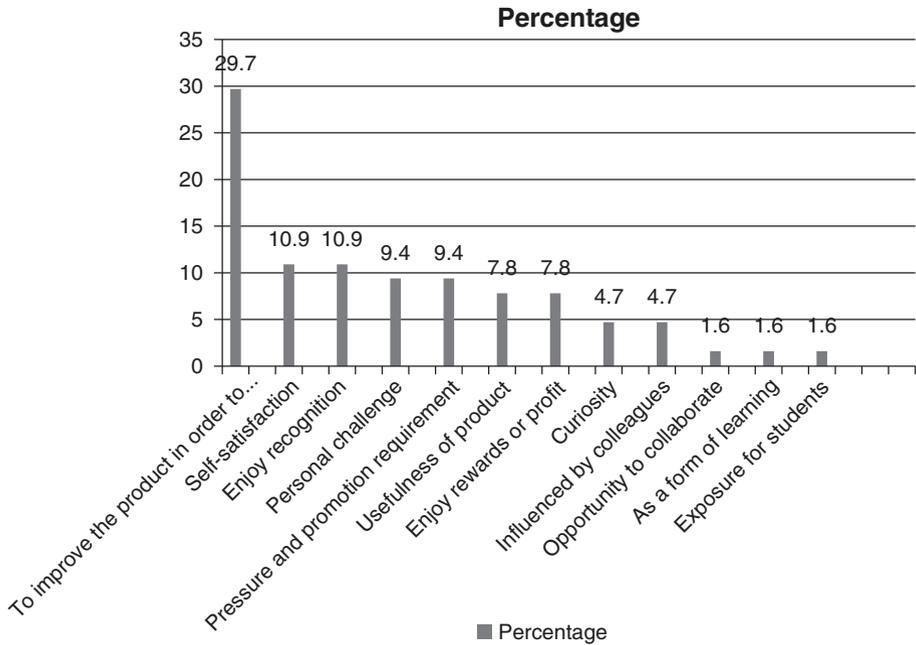
## Research Methodology

### Sample

The aim of this study is to examine university staff's views related to innovation initiatives via semi-structured open-ended questions. Semi-structured questions can provide reliable and comparable qualitative data as respondents are free to express their views (Bernard, 1988). These types of questions are useful to explore diversity of thoughts more systematically and comprehensively from respondents (Corbin & Strauss, 2008). Stratified-random sampling was used to determine the samples representing the population of 123 lecturers in a Malaysian university. Thirteen faculties participated in this study. At the faculty level, 12 lecturers from all the 13 faculties were selected through simple random sampling. The respondents in the study involved heads of department, heads of unit, heads of studies, course coordinators, permanent lecturers and full-time-part-time lecturers. The respondents' perceptions were categorized into themes; thus, percentages were used to describe their innovation initiatives.

### Findings

Findings showed that nearly half of the respondents (49.6%) from the population of the study ( $n = 123$ ) came out with innovation products in their respective faculty. Some examples of the innovation products include an online system to record research, innovation and publications done by researchers in the organization, online invigilation scheduling system for examination, online system to track students' attendance, A Computer-Adaptive Subjective Assessment Software for Learning Mathematics, Eziron Shirt Folder Board, Smart Fluid Dispenser, Adjustable 3 Tier Table, Bio-Based Fly Repellent, Dragon Fruit Peel Jam, Ecosave Soundproof Prototype and other innovative products. It was found that numerous factors have motivated the respondents to create innovative products in their organization. [Figure 1](#) shows the factors that motivated innovation initiatives among university staff.



**Fig. 1** Factors motivating innovation initiatives

As exhibited in [Fig. 1](#), the salient factors that motivated their innovation initiatives are to improve the product in order to benefit users (29.7% of the respondents), followed by self-satisfaction (10.9%), enjoy recognition (10.9%), personal challenge (9.4%), pressure and promotion requirement (9.4%), usefulness of product (7.8%) and enjoy rewards or profit (7.8%). This implies that the respondents perceived their innovation initiatives as a process of advancement to satisfy the needs of others and also to challenge their personal capabilities. Some instances of the excerpts on the factors that motivate innovation initiatives among the university staff are illustrated in [Table 1](#).

This study found that there are a few important aspects of concern for the organization to encourage more innovation initiatives. [Figure 2](#) displays the important aspects of concern for the organization to encourage innovation according to percentages.

As exhibited in [Fig. 2](#), the primary concern of 26.4% of the respondents is providing more funds and grants; hence, this beckons the need for the organization to assist the staff financially in creating innovative works. Findings also indicated that 18.4% of the respondents requested training workshops to equip themselves with knowledge on the procedures involved

**Table 1** Excerpts on factors that motivate innovation initiatives

Factors motivating innovation initiatives	Excerpt on factors motivating innovation initiatives	Respondent
To improve the product in order to benefit users	• To benefit the society.	R6
	• Improve product to help educators to teach more effectively.	R63
	• The innovation is from my own research and it will be useful for the masses.	R29
	• The contribution of new process into the current system.	R14
	• To increase speed of product and can work smart.	R22
	• To increase efficiency and keep abreast with current advancement in technology so as to make a product better.	R74
Self-satisfaction	• It's for self-pleasure.	R84
	• I enjoyed participating in innovative product.	R6
	• I feel contented to be able to contribute something to enhance the process of teaching and learning.	R104
Enjoy recognition	• I enjoyed recognition. It shows that I can create new things.	R6
	• Organization recognition.	R31
	• I feel good to be given the credit for the product I innovated.	R95
Personal challenge	• I enjoy showing my ability to create new things.	R55
	• To experiment with my ideas to see if it works.	R118
Pressure and promotion requirement	• Coercive pressure from the top management as part of the promotion requirement.	R23
	• I need that to get promotion and it also gives me the chance to think out of the box.	R66
Usefulness of product	• My innovative products might be useful for research purposes.	R103
	• The opportunity to innovate is there and, together with my creative colleagues and students, our ideas can be transformed into tangible products.	R1
Enjoy rewards or profit	• Rewards and incentives.	R31
	• Long-term profit.	R121
	• The reward I received for my innovation is meaningful and valuable and it feels good that the ideas come from me.	R90

(continued)

Table 1 (continued)

Factors motivating innovation initiatives	Excerpt on factors motivating innovation initiatives	Respondent
Curiosity	• Curiosity to try out something new besides the routine teaching work.	R16
	• I am eager to see whether my creative ideas can help to improve a certain system.	R113
Influenced by colleagues	• Influence by colleagues, I follow them.	R24
	• My friends encouraged me to join their innovation group.	R103
Opportunity to collaborate	• Chance to work with colleagues and to share innovative ideas	R12
As a form of learning	• Learning values.	R4
Exposure for students	• To expose students (also innovators) to innovative work.	R32

in creating innovative works. In addition, 16% responded that their organization needs to organize talks to educate young lecturers on the procedures involved in the commercialization of products. Another main concern to encourage innovation is collaboration and team effort to share ideas within or

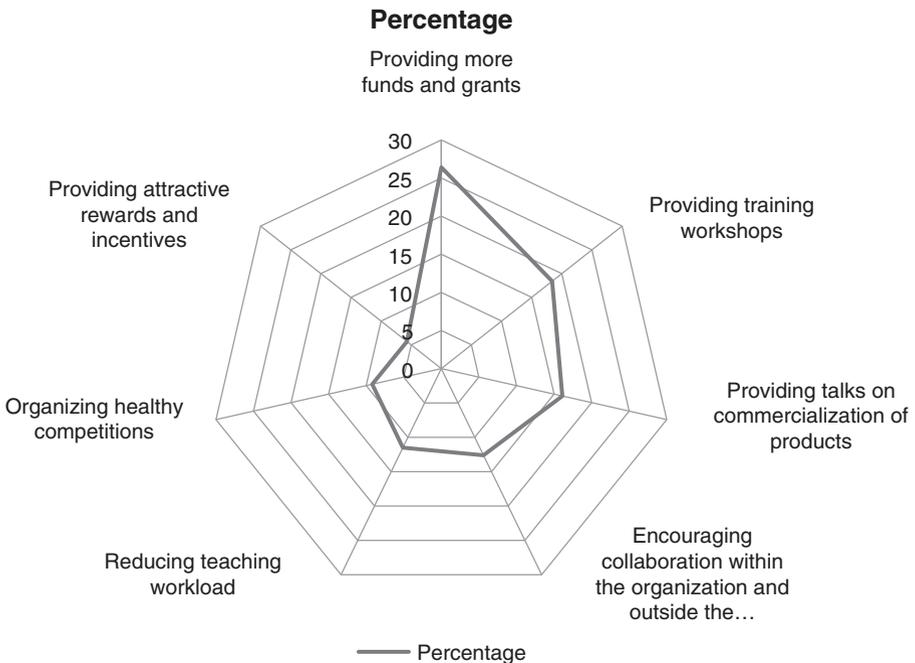


Fig. 2 Organization's concerns to encourage more innovation

outside the organization. This view is shared by 12.6% of the respondents. Yet another concern brought up by 11.5% of the respondents in this study is the need for the organization to reduce the heavy teaching workload so that they can spare some time for innovative works. Some examples of excerpts on the aspects of concerns for the organization to encourage innovation initiatives as uttered by the respondents are shown in [Table 2](#).

The impacts of innovation initiatives are classified into three levels, namely organization, students and staff's level. [Figure 3](#) shows the organization's concerns to encourage more innovation.

As presented in [Fig. 3](#), a majority of the respondents sensed the positive impact of innovation initiatives towards their organization in terms of increasing efficiency (37.1% of the respondents), followed by lifting organizational image (16.1%), improving teaching methods (14.5%), improving performance and productivity of the staff (12.9%), inculcate culture of innovation (9.7%) and producing quality results (9.7%). This implies the significance of creating innovative products for both the organization and the staff as a whole. This will enable the organization to grow further and keep abreast with the current innovative climate. This is in line with Morgan's (1998) view which emphasized that organizations must be willing to 'innovate in ways that will undermine current success so that new innovation can emerge' (p. 252). Some examples of excerpts on the impact on innovation initiatives on the organization as revealed by the respondents are shown in [Table 3](#).

Moreover, findings in this study showed that innovation initiatives also have an impact on the part of the students. [Figure 4](#) demonstrates the impact of innovation initiatives on the students. As displayed in [Fig. 4](#), the respondents identified the impact of innovative initiatives on the students to include motivate and cultivate students' interest to be creative (29.1%), improve knowledge of entrepreneurship skills (14.5%), learn leadership role (14.5%), expose to new ideas (12.7%), improve learning and performance skills (10.9%), produce innovative students (10.9%) and encourage teamwork (7.3%).

[Table 4](#) illustrates some instances of excerpts on the views of respondents on the impact of innovative initiatives on the students. This implies that students can learn from their experience of innovation initiatives and they learn to take leadership roles.

The study also found that innovation initiatives have immense impact on the staff themselves. This is illustrated in [Fig. 5](#).

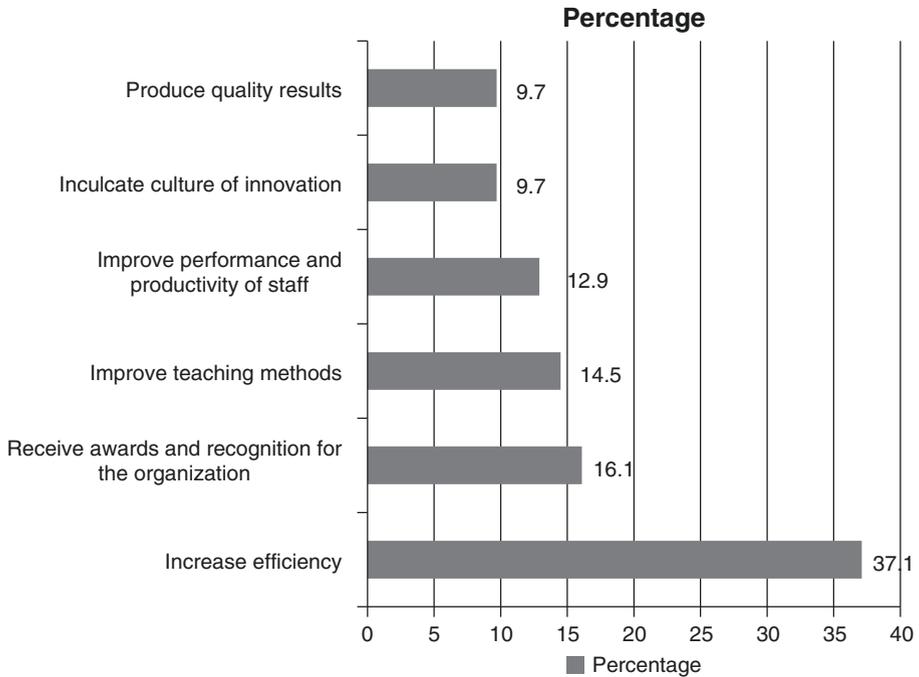
As depicted in [Fig. 5](#), the impacts of innovation initiatives on the staff include gaining self-improvement (54.9%), gaining self-satisfaction (22.5%), building self-confidence (12.7%) and gaining work recognition (9.9%). This

**Table 2** Excerpts on important aspects of concerns for organization to encourage innovation initiatives

Important aspects of concerns for organization to encourage innovation initiatives	Excerpts on important aspects of concerns for organization to encourage innovation initiatives	Respondent
Providing more funds and grants	• Provide grants as it is expensive to develop product.	R81
	• Support in terms of grants to produce innovative products.	R85
	• Provide financial support to commercialize the products.	R1
	• Make grants more easily available to come up with innovation.	R105
	• Funding needs to be available to produce high quality product.	R123
	• Provide financial support to sponsor lecturers to attend national and international conferences to expose them to better ideas on innovation.	R96
Providing training workshops	• To conduct more workshops and hands-on to students.	R1
	• Provide proper training and guidance to expose lecturers to innovative products or methods or process.	R55
	• Send the staff to participate in any innovation seminar, workshops, exhibitions, etc., to create an interest.	R15
	• More exposure to international-level innovations, such as relevant training, competition and sharing of information or ideas.	R38
	• Send lecturers to participate in innovation conferences or exhibitions on innovation to widen their knowledge.	R79
	• Provide training/workshop to expose young minds to the process involved in coming up with innovative work.	R118
Providing talks on commercialization of products	• Give talks on the strategies to market innovation.	R83
	• Provide channel on marketing the products after innovation.	R119
	• Need to emphasize on marketing the product to gain profit.	R90

Table 2 (continued)

Important aspects of concerns for organization to encourage innovation initiatives	Excerpts on important aspects of concerns for organization to encourage innovation initiatives	Respondent
Encouraging collaboration within the organization and outside the organization	<ul style="list-style-type: none"> <li>• My organization should change the current strategy by penetrating the market better than before.</li> </ul>	R26
	<ul style="list-style-type: none"> <li>• Provide clearer policies on 'innovation-related undertakings' in campus, with a focus on commercialization.</li> </ul>	R16
	<ul style="list-style-type: none"> <li>• Give more attention to important matter (after the competition), e.g. on application for commercialization of product.</li> </ul>	R24
	<ul style="list-style-type: none"> <li>• Have more competitions, better industrial network and more discussion with the potential inventors and market.</li> </ul>	R14
	<ul style="list-style-type: none"> <li>• Cooperation. Team spirit. Willingness to share. Generation of ideas in group.</li> </ul>	R31
	<ul style="list-style-type: none"> <li>• Encourage sharing of ideas among colleagues</li> </ul>	R63
	<ul style="list-style-type: none"> <li>• Encourage collaboration of innovative ideas with educators from outside the organization.</li> </ul>	R80
Reducing teaching workload	<ul style="list-style-type: none"> <li>• Encourage collaboration between lecturers and students to do innovation.</li> </ul>	R89
	<ul style="list-style-type: none"> <li>• Consider workload reduction.</li> </ul>	R92
	<ul style="list-style-type: none"> <li>• Allow free time to innovate and create. Lessen teaching hours and administrative work.</li> </ul>	R12
Organizing healthy competitions	<ul style="list-style-type: none"> <li>• Need to reduce the heavy workload of lecturers in order to encourage more of them to innovate products or methods.</li> </ul>	R84
	<ul style="list-style-type: none"> <li>• Have competitions on innovative products between faculties and centres.</li> </ul>	R18
Providing attractive rewards and incentives	<ul style="list-style-type: none"> <li>• More competitions so that it will be more challenging and at the same time lecturers can get more ideas.</li> </ul>	R82
	<ul style="list-style-type: none"> <li>• Give rewards.</li> </ul>	R22
	<ul style="list-style-type: none"> <li>• Give incentive and funding.</li> </ul>	R88
	<ul style="list-style-type: none"> <li>• Give more good/attractive prizes.</li> </ul>	R24



**Fig. 3** Impact of innovation initiatives on the organization

indicates the high optimism possessed by a majority of the staff to enhance themselves as a result of their efforts in innovation.

Some examples of the impact of innovation initiatives on the university staff are shown in [Table 5](#). This entails that the encouraging impact gained by the staff serves as the basis for them to strengthen the culture of innovation in their organization.

## Discussion and Implication

There are many factors that can motivate staff in Malaysian organizations to initiate innovation. Factors such as leadership behaviour and employee commitment are the essential factors related to a human capital approach in affecting innovation performance (Lin & Kuo, 2007). Findings in this study indicated that the most prominent factor that propels members of the organization towards innovation is to improve the product in order to benefit users, followed by self-satisfaction, enjoy recognition, personal challenge, pressure and promotion requirement, usefulness of product and enjoy

**Table 3** Excerpts on impact of innovation initiatives on the organization

Impact innovation initiatives on the organization	Excerpt on impact of innovation initiatives on the organization	Respondent
Increase efficiency	• Reduce red tape	R105
	• Boost organization’s accomplishment	R121
	• Make work easier for the organization	R56
	• Can ease the product’s usage to have better outcome	R63
	• Make staff more efficient	R83
	• Help to speed up work	R82
	• Organization becomes more advanced	R85
	• Advantages to all staff to increase their efficiency	R88
	• Improve and shortened work process	R94
	• Increase innovation by my organization	R6
	• My innovative product is being used in the whole system in the university	R22
	Receive awards and recognition for the organization	• The awards won and the opportunity to commercialize products have put the organization into public recognition
• My innovative product is being used by certain organization through consultancy project		R14
• Raise image of my organization with awards won at national and international levels for the innovative products		R67
• Organization’s name being known to others with medals won in competitions		R80
Improve teaching methods	• To improve the teaching methods in my organization to be shared with all staff	R89
	• Disseminate the good teaching technique with interested colleagues in my institution	R102
	• To make the process of teaching in my organization more systematic and more effective	R115
Improve performance and productivity	• Enrich the process of teaching	R119
	• Improve performance in organization	R92
	• To profit the staff to increase their productivity level	R81
Inculcate culture of innovation	• Raise outcome and productivity	R106
	• Support innovation drive	R84
	• Encourage staff to support the organization’s plan to build the culture of innovation	R24
	• Promote innovation culture in my organization	R64

(continued)

Table 3 (continued)

Impact innovation initiatives on the organization	Excerpt on impact of innovation initiatives on the organization	Respondent
	• Create the atmosphere of innovation in my organization	R90
	• Help make my organization more advance in terms of innovation	R103
Produce quality results	• Raise quality	R97
	• Produce quality result	R107
	• Produce more staff of high calibre with innovative mindset	R93

rewards or profit. These findings are similar to findings in Tesluk, Farr, and Klein’s (1997) study which identified five dimensions of organizational climate that affect creativity, that is, goal emphasis, means emphasis, reward orientation, task support and socio-emotional support. Besides that, these findings are parallel to Maslow’s (1943) notion of ‘self-actualization’ in that high-achieving workers are self-motivated and self-controlled. This is supported by findings in Robinson and Stern’s (1997) study which revealed that enthusiasm in realizing an idea, intrinsic motivation and curiosity leads to mindblowing creativity and innovation. Thus, these findings have obvious implications on how to best nurture innovation within the workplace in Malaysia.

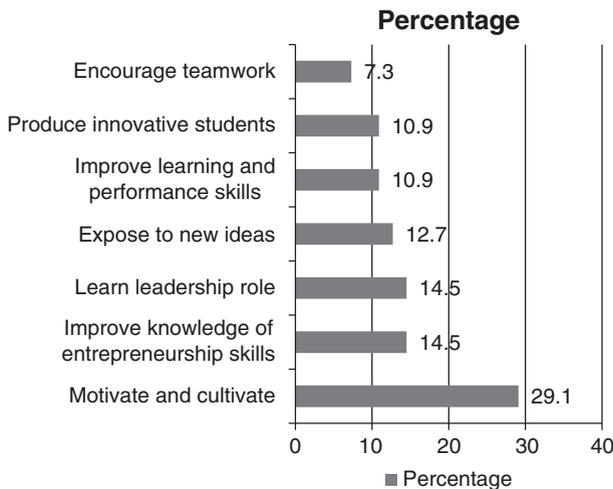


Fig. 4 Impact of innovation initiatives on the students

**Table 4** Excerpts on impact of innovation initiatives on the students

Impact of innovation initiatives on the students	Excerpt on impact of innovation initiatives on the students	Respondent
Motivate and cultivate students' interest to be creative	• Nurture students to be creative	R56
	• Instil interest in students to be innovative	R71
	• Instigate awareness of innovation among students	R63
	• Promote culture of creativity among students	R102
	• Foster innovative culture among young minds	R84
	• Encourage youngsters to be alert and to be creative	R93
	• Introduce innovative ideas to jog students' mind to be creative	R97
	• Encourage students to develop their ideas to innovate products	R88
	Improve knowledge of entrepreneurship skills	• Improve students' commercialization skill
• Train students to be more business oriented		R110
• Guide students to gain confidence in commercializing their product		R114
• Have provided them opportunities to improve their entrepreneurship skill through their creative design in the posters and brochures		R1
• Cultivate the interest to venture into business by providing the opportunity to do research and produce innovative products for commercialization		R37
Learn leadership role		• Students become self-confident to lead others
	• Produce students who are role models as innovators	R121
	• Students are given leadership role in innovation programmes within the campus and the community	R12
	• Encourage more experienced students to take leadership role to guide the new ones in innovating products	R74
	• Students learn to be mentor for their friends to help the team members in creating a new product	R94
Exposure to new ideas	• Expose students to innovative ideas	R79
	• Collaborate with students to help them gain from the experience of being innovators	R87

(continued)

Table 4 (continued)

Impact of innovation initiatives on the students	Excerpt on impact of innovation initiatives on the students	Respondent
Improve learning and performance skills	• Show students samples of innovative products so that they can learn	R96
	• Better learning among students	R120
	• Better performance among students	R113
	• Improve students' public speaking skill, their social attitudes and interaction	R23
	• Students have better understanding of lesson learnt through the use of creative ideas in teaching	R80
Produce innovative students	• Make students think to get ideas	R64
	• Produce innovative students that are able to face challenges in the future	R31
	• Nurture students to be more confident, risk-taking and creative, to think out of the box	R28
Encourage teamwork	• Foster teamwork among students	R90
	• Inspire students to collaborate to innovate products	R89
	• Students learn to cooperate and work as a group	R92

The finding in this study, which revealed that providing more funds and grants is of primary concern among the staff in order to encourage more innovation works, is similar to the finding in Fairholm's (2009) study, which showed that innovation success of an organization is largely determined by

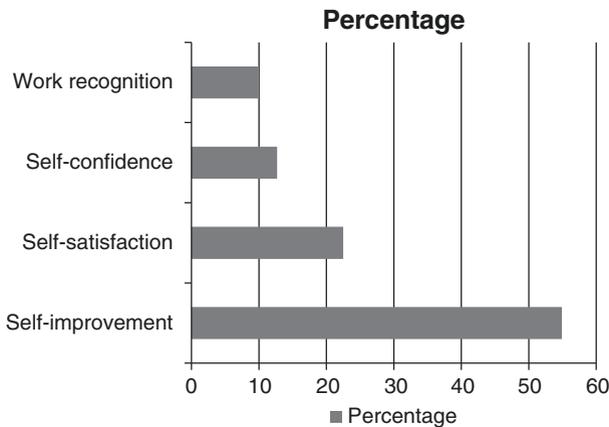


Fig. 5 Impact of innovation initiatives on university staff

**Table 5** Excerpts on impact of innovation initiatives on the university staff

Impact of innovation initiatives on the university staff	Excerpt on impact of innovation initiatives on the university staff	Respondent
Gaining self-improvement	• Self-improvement.	R23
	• I can accept more challenges and be more creative.	R99
	• I feel I have improved and am more advanced in terms of innovation, not only in doing research.	R92
	• Upgrade my knowledge as a lecturer	R95
	• I feel I have progressed in my knowledge about innovation.	R119
	• Have better understanding on innovation and product development process and some challenges when doing it.	R14
	• Now, I have more experience in innovating method and product.	R79
	• Have a good experience in innovation which benefits me and others.	R88
	• I feel I am one step ahead into the world of innovation as I learnt to be more creative and innovative.	R116
	• Widen my knowledge and make my lesson more interesting with my innovative ideas	R123
Gaining self-satisfaction	• Self-satisfaction.	R41
	• It is a satisfying experience for me.	R86
	• I am pleased with my innovation.	R71
	• I feel uplifted with my creative ideas.	R82
	• Feel good factor. I managed to get my hands on a piece of 'little innovation'.	R16
	• I am full of pride about my product which is used even outside my university.	R102
	• It is self-fulfilling to be able to come up with innovative method to improve teaching and learning.	R110
	• I feel proud that I could innovate a product that could make the system in the organization better.	R120
Building self-confidence	• Build my interest and self-confidence.	R24
	• I have more positive thoughts about innovation now. I am proud to see that it works and at the same time it is useful to others.	R64
	• Makes me think more to come up with more innovative ideas to improve certain process or things.	R66

(continued)

Table 5 (continued)

Impact of innovation initiates on the university staff	Excerpt on impact of innovation initiatives on the university staff	Respondent
Gaining work recognition	<ul style="list-style-type: none"> <li>• Since I have gone through the process of innovating a product, it has made me wiser and more confident of myself.</li> </ul>	R104
	<ul style="list-style-type: none"> <li>• Feel worthwhile when rewarded.</li> </ul>	R113
	<ul style="list-style-type: none"> <li>• Very proud when my work is recognized.</li> </ul>	R80
	<ul style="list-style-type: none"> <li>• It is a rewarding experience as I get the chance to compete at national and international levels and my work is recognized.</li> </ul>	R87
	<ul style="list-style-type: none"> <li>• My effort has paid off as I received awards nationally and internationally.</li> </ul>	R97
	<ul style="list-style-type: none"> <li>• Urged me to continue to be creative and to continue to be innovative as I feel happy to be recognized for my innovation.</li> </ul>	R93

proper groundwork of the organization, such as providing support in terms of financial strategies and allotment of resources. The finding in this study on the need for training concurs with findings in Love, Roper, and Bryson's (2011) study which indicated that firms should invest in training for teamwork. In addition, the finding in this study which indicated the need for more talks to enlighten the staff with knowledge on commercialization process of their product is underpinned by views from Van de Ven (1986) and Eby and Dobbins (1997) that effort towards commercialization of innovations needs collectivism to foster social interactions and cooperation between employees of an organization and outsiders such as customers, suppliers and other stakeholders. This collaborative teamwork is imperative for innovation success (Hoegl and Gemuenden, 2001) as TWQ has positive effects on the relationship between domain-relevant skills and team efficiency (Hoegl and Parboteeah, 2007). This implies that support from the organization as well as collaboration from within and outside the organization is vital to encourage an innovation culture.

In terms of impacts of innovation on the organization, findings showed that there is an increased efficiency, performance and productivity. The finding is in line with some studies that highlighted how innovation enables organizations to renew themselves, adapt to changing environments and ensure their long-term growth and survival (Chen & Guan, 2011; Damanpour, 1991; Van de Ven, 1986). Similarly, studies conducted by

Cainelli et al. (2006) and Mansury and Love (2008) revealed that service innovations have direct benefits by promoting services growth and productivity. This implies that an organization must be willing to adapt to changes to enable it to grow further and keep abreast with the current innovative climate. Theoretically, innovation strategy should match the culture of an organization (Davila, Epstein, & Shelton, 2006). In other words, institutions in Malaysia need to play a leading role in encouraging innovative culture among staff. In order to do that, leaders should convey a vision to encourage innovative culture. A shared vision is vital to leaders in communicating innovative culture. If a vision for innovation is not communicated, then it may be difficult for people to be motivated. However, many leaders admit that developing and communicating a vision, which is relevant to others as well as the organization itself, is one of their biggest challenges (Kouzes & Posner, 2007). Nevertheless, to effectively communicate vision, leaders must share their vision through talking about and coaching others towards the vision (Hall, Barrett, & Burkhart-Kriesel, 2005).

On the other hand, in terms of impacts of innovation on students, findings revealed that innovation initiatives encourage teamwork. This implies the importance of teamwork to yield success in innovation effort as, according to Love, Roper, and Bryson (2011), teamwork plays positive and significant roles in boosting innovation outputs and the effects are exaggerated where an organization has internal design potential. Similarly, Lawler, Mohrman, and Ledford (1995) and Mohrman, Cohen, and Mohrman (1995) consider teamwork as a crucial success factor for innovative works. Moreover, Kouzes and Posner (2007) emphasized that leadership must no longer be defined solely by the position or ranking, but it must become everyone's job. Leaders and team members should work together to understand the culture of yielding more and faster innovation.

In terms of impacts of innovation on the university staff, it was found that gaining self-improvement, experience, improving knowledge and self-satisfaction are the important consequences valued by them. Kanchanopast (2013) emphasized that motivation in the workplace can come from individuals' personalities such as enthusiasm, self-willingness, life progress and positive work attitudes which may come from liking the task assignment, matching between task and abilities, good co-workers and positive attitude within an organization. These findings are consistent with the findings in Sergeeva's (2014) study which maintained that intrinsic motivation, knowledge and curiosity are key motivators for staff to innovate products. In addition, finding in this study corroborates the finding in Kosonen, Gan, Vanhala, and Blomqvist's (2014) study that recognition from the host

company affects intention to share knowledge of innovation. Thus, this implies that self-drive for self-improvement, knowledge gain and boosting of confidence is vital to promote the development of innovation at work.

## Conclusion

The findings of this study are limited to only the samples in this study and cannot be generalized to the whole population of Asia. Future research can investigate how different aspects of intrinsic motivation, such as curiosity, improving feelings of mastery, self-expression potential and the resolution of conflicts, influence innovation.

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# Part IV

**Ethical, Shared and Empathetic Leadership**

# Understanding of Business Ethics by Leaders Based in Singapore: A Restorative Justice Perspective

Razwana Begum Bt Abdul Rahim

## Introduction

In 2008/2009, the world economy faced its worst crisis in decades. Investigation into the crisis revealed weak regulatory structures (Allen & Carletti, 2010), esoteric investment instruments (Park, 2009), poor risk management and corporate governance framework (Lang & Jagtiani, 2010). The financial crisis was estimated to have cost the global economy a loss of at least 40 trillion dollars (Kensil & Margraf, 2012; Lang & Jagtiani, 2010; Park, 2009). At the height of the financial crisis, the World Bank (2008) estimated that the decline in economic growth for developing countries would trap at least an additional 20 million people into poverty.

The impact of such crisis on the global economy is not unusual. Commercial organizations, especially the financial institutions, are closely linked in a web of inter-dependency. The ethical failures of one commercial organization may affect the sustainability of other commercial organizations (Floyd, Xu, Atkins, & Caldwell, 2013). Organizations such as Enron, Adelphia Communications and WorldCom in the USA are examples of failures resulting from unethical business practices and irresponsible management (Kurzynski, 2012).

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Unethical business practices are not isolated to commercial organizations based in the West. Rishi and Singh (2011) highlight the collapse of Satyam Computer Services Limited (SCSL) in India was similar to Enron. In the case of SCSL, it was established that the leader, Ramalingam Raju, falsified accounts that led to the collapse of the organization (Rishi & Singh, 2011; Winkler, 2010).

Despite Singapore's strict approach towards rule-breaking, there were instances where commercial organizations failed to adhere to certain rules and regulations. In the 1970s, the collapse of the Pan Electric Industries highlighted failure in corporate governance. The failure of Amcol Holdings in 1996 resulted in the Singapore government developing stringent measures and regulations in the area of corporate governance (Chongvilaivan, 2010).

The issue of compliance is not just about monetary loss. Crane and Matten (2007) argue that the failures of commercial organizations tend to have a great impact on society. Unethical business practices of commercial organizations around safety had resulted in tragic outcomes to human lives and the environment as seen in cases such as the Union Carbide in Bhopal, India (John, 1991); Exxon Valdez (Liversey, 2002) in Alaska; and Ford Pinto (Birsch & Fielder, 1994) and Toyota (Madden & Jian, 2010) in the USA. The oil spill in the Gulf of Mexico by British Petroleum is another case that demonstrates the impact of unethical business practices on the environment and society at large (Jerry, 2010).

The cases reviewed for the purpose of this study highlighted two causes that led to failures of commercial organizations – poor corporate governance framework and unethical leadership (De Hoogh & Belschak, 2012). The decisions made by the leaders are critical, and it is unquestionable that they play a major role in the ensuring ethical business practices. As stated by Woiceshyn (2011):

Whether people make decisions ethically or not is not a trivial matter, as the outcome of those decisions can make a significant difference to their lives and to the lives of others. (p. 311)

Based on this understanding, the first aim of the research study was to ascertain the ethical business principles and practices adopted by business leaders in Singapore. The second aim of the research study was to explore the potential of restorative justice in commercial organizations.

Restorative justice has gained momentum in the criminal justice system from the 1990s (Braithwaite, 1999; Roach, 2000). The concept gained

popularity because of its effectiveness in reducing offending behaviour and the benefit it offered to victims of crime. In the context of commercial organizations, the concept of restorative justice is not common. It appears in the context of corporate governance, organizational justice and consumer protection (Ayers & Braithwaite, 1992; Goodstein & Butterfield, 2010; Larsen & Lawson, 2013). The concept however is receiving attention in the area of business ethics because of its focus on addressing the harm of unethical business practices on the 'victims'. As stated by Goodstein and Butterfield (2010):

Restorative justice helps shift the way we think about when ethics matters—in the aftermath of unethical activity. Restorative justice also redirects thinking about who matters in ethics—those who have committed transgressions, their victims, and those who may play a significant role in fostering the reintegration of these individuals back into their departments and organizations. Finally, restorative justice surfaces important issues regarding what matters in ethics. (p. 453)

The review on restorative justice highlighted a connection between restorative justice and business ethics. Part of the research study was to explore this link.

## Literature Review

Crane and Matten (2007) define business ethics as 'the study of business situations, activities, and decisions where issues of right and wrong are addressed' (p. 5). It is an important part of business. However, business ethics is also known to be an oxymoronic concept (Collins & Porras, 1994; Duska, 2000). The objective of any business is to make money and to be profitable (Porter & Kramer, 2011).

It is argued that business decisions often involve economic reasoning and morality of the decision is often irrelevant (De George, 1995). However, increasingly there is a greater demand for organizations to not just be a profit-making enterprise for shareholders but also act as a moral community that can create and develop human character (Johnson, 1997). Porter and Kramer (2011) state that organizations should consider other stakeholders, not just shareholders, and generate economic value by creating societal value.

To establish a fair ground between societal needs and shareholders demand is a constant struggle. This tension between business priorities and

ethical business practices led to complete failures of commercial organizations. Carr (1968) and Duska (2003) argue that the world of business does not abide with common moral authority as in the rest of the society and depicted business transactions to be similar to a poker game where 'bluff' is necessary to win the game.

To prevent unethical business practices, there is often legislation to prevent transgressions. Failure to conform to legal regulations may result in commercial organizations losing their licence to operate or paying a certain amount of money in the form of a fine for non-compliance. The issue really is the impact on the end user or the outcome of unethical business practices. The law seems to take the commercial organizations to task, but it is argued for the purpose of this research study that limited consideration is provided to overcome the harm or to compensate or restore the victims.

This understanding prompted the search for alternative measures to address the transgression or non-compliance of commercial organizations. The hypothesis that restorative justice may be an option was explored as part of the research study with the intention that the concept may address the harm done by commercial organizations to society at large.

The concept of restorative justice acknowledges the victims and requires the perpetrator to be responsible for his or her transgressions. Marshall (1999) defines restorative justice as

a process whereby all the parties with a stake in a particular offence come together to resolve collectively how to deal with the aftermath of the offence and its implications for the future. (p. 5)

Zehr (2002) argues that

restorative justice requires, at minimum that [the system] address victims' harms and needs, hold offenders accountable to put right those harms, and involve victims, offenders, and communities in this process. (p. 25)

These definitions provide the background in developing the research question on ethical business practices and the potential of restorative justice in commercial organizations based in Singapore.

Restorative justice has its roots in criminal justice, and therefore the vast majority of theoretical and empirical research has focused on the criminal justice system (Braithwaite, 2002; Latimer, Dowden, & Muise, 2001; Marshall, 1999). However, research within the realm of organizational justice

indicates the possibility of restorative justice, its key concepts and ideas in the management of interpersonal conflict with the emphasis on forgiveness rather than revenge (Aquino et al., 1999). Kidder (2007) argues that restorative justice is a tool to be considered in repairing relationships in the workplace.

Roche (2006) note that the court-sanctioned use of mediation to settle civil litigation is an example of restorative justice, and therefore the concept is not just isolated to criminal justice. Goodstein and Aquino (2010) argue that restorative justice provides a better platform in addressing the issues of compliance within an organization. The concept of responsive regulation was researched by Nielsen and Parker (2009) in a study of 141 Australian businesses that had experienced official investigation of alleged breaches of the competition and consumer law. They argued that the role played by the enforcement bodies and investigators is important. To ensure greater compliance, it is necessary to focus on persuasion rather than simply imposing rules and punishment. Their findings align with the values of restorative justice in compliance management proposed by Braithwaite (2002).

The concept of restorative justice has been adapted in restoring the loss to the society at large (Ayres & Braithwaite, 1992). The efforts of Colonial Life Insurance Company of Australia in making amends for committing insurance fraud in the early 1990s is a good example of restoration (Braithwaite, 2002). The organization met with the communities that were affected by their insurance fraud and publicly expressed their shame and remorse. They further compensated over 2000 policyholders and funded an Aboriginal Consumer Education Fund.

Restorative justice is unique as the focus shifts to the victim, offender and broader community with the aim of healing damaged relationships. In healing relationships, there are four key values of restorative justice – responsibility, respect, restoration and reintegration (Dignan, 2005; Marshall, 1999). These values are part of the restorative justice practices that lead to positive outcomes and repaired relationships.

## Research Methodology

The research purpose and research questions are the starting points in the development of the research design. To achieve this purpose, a case study methodology was adopted in this research study (Tashakkori & Teddlie, 2010). The case studies were developed through interview sessions with the leaders on ethical business practices and principles adopted within their

organizations. The leaders were chosen by adopting a purposive sampling method. Four prerequisites were taken into consideration in choosing the organization. The organization

1. was governed by external legislation and internal regulations;
2. was conducting business for at least five years in Singapore;
3. has disclosed its corporate social responsibility activities and
4. allowed the employees to participate in the questionnaire.

To triangulate the data gathered from the leaders, the research study also relied on organizational-related documents and data from employees collected via a questionnaire. The combination of these data collection strategies both contributed to, and facilitated, an in-depth understanding about ethical business principles and practices. By understanding the leaders' approach to ethical business principles and practices, the potential of restorative justice can be established.

By adopting content analysis, the data gathered from the interview sessions were coded for patterns. The codes were inductively derived from the data. The categories were derived from the literature review around ethical business practices and restorative justice. Five case studies were developed, and for the purpose of this chapter, the five leaders were named according to the organization they belonged to – tourism, construction, physiotherapy, education and finance sector.

A brief description of the organizations is as follows.

*Tourism:* Leader T is the managing director of a prominent organization in the travel sector, receiving various awards for its touring products and its efforts in conserving the environment. The organization, which was formed in 1978 in Europe, opened its branch in Singapore in 1987. It has other branches in the USA, Canada, Australia, New Zealand and South Africa. The organization has a large customer base, approximately 100,000 guests per year. It operates tours in Europe and is part of the Conservation Foundation. The organization is regulated by both the European Union laws and Singapore legislations. The governing body for travel agents in Singapore, National Association of Travel Agents, advocates good business practices and Organization T is part of that organization.

*Construction:* Leader C is the founder of a construction company focusing on providing foundational and geotechnical services. The organization was formed in 1997 and it specializes in reclaiming of land. From Singapore, the organization expanded to other major cities in the Asian region such as Malaysia, Indonesia, Vietnam and Korea. The organization is formed as a partnership and the interview was conducted with one of the partners. The

organization employs close to 100 workers, mainly foreigners from Bangladesh and Thailand working in the construction site. The organization is governed by legislations imposed by Ministry of Manpower, and the safety of the workers is one of the key focuses of the organization.

*Physiotherapy:* Leader P is the founder of the largest musculoskeletal rehabilitation group in Singapore. The company was formed in 2003 and has six outlets all over Singapore. The leader believes that modern medicine cannot work in isolation and that their therapists are able to provide a comprehensive range of treatments by adopting latest practices in this area of medicine. The organization hires 25 therapists and is formed as a partnership. The sector is governed by Singapore Physiotherapy Organization and Allied Health Professions Act 2011 that requires continuous training and developmental course for physiotherapist.

*Education:* Leader E is the managing director of a training and private educational institution operating in Singapore since 1985. The organization provides both external programmes such as the University of London external programmes as well as training for accountants/auditors in Singapore. It has approximately 5,000 international and local students and provides membership for 25,000 accountants. The organization is regulated under the Council for Private Education (CPE), EduTrust (a voluntary quality assurance scheme administered by CPE for private educational institutions in Singapore) and international regulators of the collaborated foreign universities.

*Finance:* Leader F is the head of corporate affairs of a multinational company based in New York. It is one of the largest financial organizations in the world and has a prominent status in Singapore. The organization has branches in over 1,000 cities and employs close to 30,000 workers. The organization was affected during the financial crisis in 2008 and has since rebounded to conquer the financial market. Locally, the organization is governed by the legislations imposed by the Monetary Association of Singapore, Singapore Stock Exchange and Ministry of Finance. The interview was conducted with the leaders heading the compliance, corporate communication and corporate social responsibility.

## Findings

The data revealed that the leaders understood ethical business practices as compliance with rules and regulations. Leaders E and F described ethics as rules or law imposed by external regulatory institutions. Leaders T and C adopted codes of conduct to guide the employees to conform with ethical

business practices. These leaders described ethics as rules or law imposed by external regulatory institutions. Leader P differed from this pattern. The leader described ethics as mainly providing services in the best interest of the clients. However, he agreed as well that external regulation is important.

Since the leaders identified rules and regulations as ethical business practices within their organizations, the leaders were then asked to elaborate on how they implemented ethical business practices. In response to this question, the leaders focused on their employees and employees' practices to demonstrate examples of ethical business practices. This included discussion about their views of their employees' willingness or ability to conform with ethical practices.

Leaders T and F perceived their employees as 'reasonable employees' and that it was easy for their employees to follow rules. These leaders did not find the enforcement of ethical practices difficult to maintain.

I don't think it's difficult. It's not a military drilling process that if you don't lift your leg high enough you're going to get punished. But it's a matter of understanding the product you're delivering, getting them to buy into the ideas, and through persuasion, through understanding. And you know what? The best policy is through friendship. If your staff is your best friend, nobody will stick a knife in your best friend. (Leader T)

It's not good for the organization, eventually all of us pull together to make an organization. So, I think people generally understand that. A reasonable person would understand that rules are not... We are not running an army. We're running a set of... We're a financial organization, we have people with above average intelligence, and therefore they understand that what we're doing is to protect ourselves of course, the end-client eventually. (Leader F)

In contrast, leader C highlighted the code of conduct for foreign construction workers. Some of these rules were imposed by the Ministry of Manpower in Singapore while others were set by the employees. The employees played a significant part in developing the rules and contributed to the penalties set for breaking the rules.

...well, my company has 90 over foreign workers, mostly from Bangladesh and India, with a sprinkling of Thais. All different cultures, and whenever we set up a camp, or their home, we actually sit down with them to say what would they like. Let's say they like a clean environment, pleasant environment, and to also prevent abuse, we sit down with them and put in what they call a penalty fine system among themselves to keep the place clean. (Leader C)

Leader P did not have standard rules as the leader preferred to use 'common sense' to guide the employees to comply with certain regulations. He opined that the rules are not necessary as employees are able to view the benefit of certain requirement or external legislations. The ownership rested on the employee to perform 'basic things' without being told how to behave in an ethical manner and, in this way, ethical practices were achieved.

We don't have rules. We have very little rules. We prefer you to use common sense. So we don't have a 10-page, 20-page company rules and policies. So basically you look at it as, anybody who walks in and asks for a job in your organization, you expect them to kind of have that...Basic things. Like if you're a graduate, this is your position, this is your job. You're supposed to do this, I'm not going to tell you what you need to do. (Leader P)

Similar to leader P, leader E believed that the pressure for employees of not keeping abreast of ethical practices meant they would inevitably lose their employment. It was this pressure that secured ethical practices.

Hire somebody else. I mean, what's going to happen to the industry over time is that the...What is the correct word, not dinosaurs...those who don't want to stay up to date, those who don't see the need for training, those who are not that...consider the 'I know everything, there's no need for me to do anything else'...We'll eventually find it increasingly difficult to actually find work within the industry. (Leader E)

The leaders were also asked how they managed rule-breaking behaviours and transgressions within the organization. The leaders shared their strategies and highlighted their employees' abilities to conform.

Leader T stressed the need to reflect on the organization's internal policies and rules before 'disciplining' the employees. This meant that the organization reviewed their internal policies on a regular basis to meet the needs of the employees, the demands of the clients and the changes in the legislation. He also kept his employees educated on the ethical business practices.

I won't use the word 'discipline'. I think if something like that happened, I use a...when I'm doing training for companies I always use this as a signal. This is our hand signal as an example. When you point a finger at somebody, let three point back at you. So if you say 'You have done wrong', examine yourself. Is the company's direction not clear? Or is that the organization was having a set of manual to follow has not been strictly reviewing it and how well has it been adopted by the staff? If we are satisfied that we have a regular review and for

whatever the reason the specific staff is not able to carry out, then I think we need to identify what went wrong. So the system have to be examined, I think that's very important. When the system oiling machine is no problem, then you started looking at whether the implementation is a flaw and if it's OK, then obviously it could be the staff's personal aspirations do not fit the organization. (Leader T)

Leader F indicated that it is not uncommon for people to break the rules as this was part of human nature:

Disciplinary action. We obviously...It's not that we don't have people who don't go by the rules. Come on, every society, every company will have individuals who don't always follow the rules. For whatever reason. It's a question like there's police and there's rules and laws that govern the way we conduct a society. And yet there's crime. Why? It's the same thing. Every organization will have it. Everywhere, there'll be people who don't follow rules. But that's human nature right? Those are things that we try and diminish and limit as far as possible by having strict rules and compliance and controls and checks and audits and all that helps govern the entire process. Clearly there are people who don't, then there's a process of investigation, and disciplinary action, disciplinary committees. Country level, regional level, depends on the seriousness. It could be warnings, could be...You know, many steps. And the person could lose their job, you know. So every process is there. (Leader F)

Leader C explained that the punishment system for breaking the rules was set by the employees.

...but I didn't want to put in the fine myself as boss because that becomes thrown down a rule so what I did was put it on a board and said, 'OK tell me how much you want to be fined. And the workers themselves volunteered the amounts. And some significantly high amounts which I had to cut down because I think it were not too fair. So that's what I find very pleasant coming from the workers themselves. (Leader C)

Leader E highlighted the requirements of the regulating body. The trainers were required to submit on a yearly basis an updated resume that includes courses or training undertaken for the year. He added that he often ensured compliance to this rule by focusing on the outcome of non-compliance.

You try to discuss with them...But some of them, I know it still basically comes as a bit of a culture shock, that we're actually asking for this kind of information. And that we're actually monitoring it is a bit of a culture shock as well. The issue's going to come sooner or later is where if lecturers continue to

basically not provide that information. There may or may not come a point where you really are going to have to say, we can't keep employing you. Because we're causing problems with CPE in terms of reporting, because it's a question they ask...It's the information they like to see. (Leader E)

Leader P explained that a set of mandatory rules governed the enforcement of ethical business practice in the physiotherapy sector. Failure to follow this requirement resulted in the employee's termination.

Ok, you see. What I'm trying to do...We try to build an organization that people want to join because we provide hell a lot of training. We provide a lot of training, we send people for courses, far more than any other private practitioner. In fact, the most. And we spend a lot on training internally. Senior ones spend a lot of time on junior ones. So they want to get in. And if you get in and you don't deserve getting in, it's very easy for us, out. Don't waste our time. Clearly you don't appreciate what we're trying to do for you. (Leader P)

The findings provided understanding on the ethical business principles and practices adopted by business leaders in Singapore. The leaders' understanding of business ethics were predominantly based on external and internal regulations. Their organizations' conformance with ethical business practices was mainly ascertained based on their employees' conformance with external and internal regulations.

## Discussion and Implication

The data gathered from the leaders revealed that the regulatory system played a major role in upholding business ethics in all the five commercial organizations. As stated by Miller (2011), law is developed by standards adopted by a society to govern itself and is often 'informed by prevalent moral theories' (p. 104). In the context of this research study, the foundation of an organization's ethical standards is built by obeying the law. Rules and regulations were the central foundation of business ethics in the five commercial organizations that participated in the research study.

Regulation and ethics (in the form of leadership) emerged as a combination in ensuring ethical business practices. This is inferred from all of the leaders' descriptions of rules and their impact on the organization. This was aligned with the contention by Crane and Matten (2007) that

...there is indeed considerable overlap between ethics and the law. In fact, the law is essentially an institutionalisation or codification of ethics into specific social rules, regulations, and proscriptions. Nevertheless, the two are not equivalent....(p. 5)

However, Crane and Matten (2007) argue that rules and law is only a partial aspect of ethics and provides the minimum acceptable standards of behaviour. For a business entity, there are various morally contestable issues that are not covered from a legal perspective and require solutions from an ethical perspective. For this reason, Crane and Matten (2007) argue that business ethics 'begins where the law ends' (p. 7). Unlike Crane and Matten's sense that business ethics begins where regulation ends, for the five organizations in the study, the regulatory aspect of ethics emerged as primary.

Though the leaders viewed business ethics from the regulatory lens, they also shared some perspectives on how they guided the employees to conform with rules and regulations. Their strategies indicated the focus on learning and development. The leaders worked towards establishing close working relationship and in addressing transgression their strategies were mainly on restoring the harm done by creating awareness amongst the employees.

In the context of this study, the data that was collected from the leaders and their organizations on ethical business principles and practices has been interpreted through the lens of restorative justice. The data analysed from the values of restorative justice revealed the potential of restorative justice in the management of employees. The leaders' descriptions of practices around business ethics were examined based on the four key values of restorative justice, namely responsibility, restoration, reintegration and respect.

In the context of employee management, the leaders described how 'offending' employees were given opportunities to make amends and the leaders extended forgiveness and fostered reintegration. Leaders C, F and T promoted this process in their management of employees. The process in these organizations highlighted the notion of trust exhibited by the leaders in their dealings with employees. The leaders believed and trusted the employees to follow rules and accept responsibility for their mistakes.

These leaders created an open work culture amongst the employees and created opportunities to discuss issues related with compliance (Braithwaite, 2002; Walker, 2006). In these ways, the leaders' practices were based on values such as making amends, extending forgiveness and fostering reintegration. These were aligned with the values highlighted by Goodstein and Butterfield (2010). The values of restorative justice seek to promote relationship building and repairing of harm (Roche, 2006; Bazemore, 1998; Kidder,

2007). This is achieved by incorporating values such as responsibility, reintegration, restoration and respect in resolving disputes (Dignan, 2005; Marshall, 1999). As stated by May, Luth, and Schworer (2014):

The traditional negative approach to ethics narrowly focuses on prohibited behaviours, enforceable rules, and sanctions for misconduct. The positive approach to ethics is more comprehensive and includes the promotion of positive morally praiseworthy ideals and behaviours. (p. 68)

The leaders' practices were aligned with Braithwaite's (1989) understanding that conflict resolution should focus on healing rather than punishing. This provides the employee who transgressed with the chance to rebuild his or her moral and social selves. This study showed the presence of restorative justice values and practices in managing employees' adherence to corporate governance. Since business ethics is viewed as conformance with rules and regulations, restorative justice may be included as part of an ethical framework that supports adherence to (or addresses transgressions of) rules. However, the notion of restorative justice requires involvement of all stakeholders (Mika & Zehr, 2003; Parker, 2002).

## Conclusion

Although the study was confined to five commercial organizations, the diverse background of the organizations shows that leaders' approaches to ethical business practice may not be confined to the particular industry contexts they represent. Positioning employees respectfully, with autonomy and consideration of their involvement in transgression management, are core values that indicate the viability of adopting similar concept to a larger group of organizations.

In addressing corporate governance issues in an organization, the values in the organization play a significant part in ensuring compliance. As indicated in this chapter by highlighting a small part of the research study outcome, the organizations in Singapore do have the culture to adopt restorative justice practices. However, in view of the small number of organizations that participated in this research study and the limited exploration of the data gathered, it is necessary to further explore this concept in greater detail and depth. The concept could be further developed to include legislators and regulatory bodies to participate in the development of restorative justice as a regulatory system in ensuring

compliance to ethical business practices. Future research in this area may provide robust evidence for policy and practice change in the area of business ethics.

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# Creating Shared Leadership Culture: KPMG Thailand's People Passion Programme

Sarote Phornprapha

## Introduction

To address the increasing need for innovative approaches to leadership that deal with the challenges organisations face as they flatten, diversify, and confront increasingly complex problems, it is critical to consider practical models of leadership development that suit the needs of the current, diverse business environment (Sarros et al., 2008). An increasing emphasis on developing employees with varied skills also requires urgent attention. Moreover, companies need to create cross-functional and self-managed work teams to find new solutions – particularly organisations that have traditionally rewarded vertical leadership and individual innovation and performance.

For this reason, the increasing emphasis on team-based knowledge work, which involves a significant investment of intellectual capital by a group of skilled professionals, creates an urgent need to expand traditional models of leadership, as vested in one individual, to encompass more complex models of leadership, which include such concepts as self-leadership and shared leadership. However, the implementation of team-based knowledge work is not always associated with increased effectiveness, and teams often fail to live up to their potential due to their inability to smoothly coordinate team

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members' actions and due to a lack of effective leadership. As a result, it is important to develop models of team-based leadership that are more predictive of successful outcomes, including knowledge creation and productivity.

## Literature Review

Many researchers have recognised that leadership influences the behaviour of others, as seen in studies that focus on the keys to its effectiveness (or ineffectiveness). This section reviews the leadership theories, focusing on a comparison of two schools of thought on leadership: top-down and lateral.

### Classical Leadership

The study of leadership started from its earliest assumption in the 1930s, when trait theories focused on the idea that effective leaders possessed particular traits that distinguished them from ineffective leaders (Cowley, 1931). This trait perspective of leadership was widely accepted until the late 1940s and early 1950s, when researchers began to deem personality traits insufficient in predicting leader effectiveness (Stogdill, 1948; Mann, 1959). The second development was behavioural theory (1940s–1960s), which focused on the relationship between leaders' behaviour and employees' performance (Likert, 1961; Tannenbaum and Schmidt (1973)). The third group is contingency theories, which shifted attention to the situational aspects of how one defines the relationships between people, as this can influence leadership effectiveness (Fiedler, 1978).

Fourthly, the most contemporary leadership theories explained that the interactive nature of leadership always involves its environment. With this concept, Burns (1978) introduced transactional and transformational leadership. Transactional leadership is about exchanging tangible rewards for followers' work and loyalty by understanding what the followers want out of their work and rewarding the appropriate level of effort. Transformational leadership is about how a leader engages with followers about their beliefs, needs, and values. These transformational leaders are proactive. Rather than working within a particular organisational culture, they work to create an adaptive organisational culture by inspiring and implementing new ideas. However, as Wright (1996) noted, it is impossible to say how effective transformational leadership is with any degree of certainty. Bass (1997, 1999) explained that

transformational leaders raise the consciousness of their followers regarding the significance of organisational goals and new ways to achieve them. Explicitly, these leaders bring positive changes to organisations by inspiring their followers to go beyond their original goals.

## Team-Based Leadership

Top-down leadership is not the only leadership model that is applicable to every situation. Indeed, team-based leadership models are practised in many types of organisations, ranging from traditionally hierarchical to directive organisations. Instead of having a supervisor or manager focus on facilitation, teams can focus on achieving objectives together. This allows for true collaboration in the workplace. Major characteristics of a team-based organisation include shared leadership, empowerment, trust, goal setting, autonomy, and team accountability.

In addition, people who are not in a formal position may also enjoy informal authority as their actions and thinking inspire others (Heifetz, 1994). Doyle and Smith (2001) argued that being outside the formal structure but within an organisation can be an advantage as one will have more freedom of movement for the chance of focusing on what you see as the issue (rather than the organisation's focus), and there is a strong chance of being in touch with what people are feeling at the frontline.

Team-based and lateral leadership are not new concepts in leadership studies. Many researchers have investigated the possibilities of having alternative models to the top-down leadership style. Firstly, substitutes for leadership can explain the circumstance in which competent leadership is not necessary as incompetent leadership can be counterbalanced by certain factors in a work situation. Leadership itself is of little consequence to the performance and satisfaction of team members. In relation to these issues, many researchers introduced the concept of substitutes for leadership, which focuses on factors in the work environment that provide guidance and incentives to perform, thus making the leader's role almost superfluous (Howell, Bowen, Dorfman, Kerr, & Podsakoff, 1990). Individuals' experience and continuous training, along with the close relationships among members of the work group, replace the manager's directive leadership.

The second concept that fits with team-based leadership is called shared leadership. Pearce and Conger (2003) advocated for the idea that lateral influence in an organisation, or shared leadership, is a powerful solution to a foundational organisational problem: that no single person in any organisation

is able to function effectively in all the necessary leadership aspects, in either a group or an organisational context. Fletcher and Kaufer (2003) argued in their research that shared leadership focuses on leadership as a social process that encourages a more explicit focus on the egalitarian, collaborative, mutually enacted, and less hierarchical nature of leader-follower interactions. Rousseau and House (1994) cited organisational members who share a belief that teamwork is desirable and that it can form the basis of a team-oriented culture through processes of social construction, ongoing interaction patterns, and shared values. Carson, Tesluk, and Marrone (2007) stated that using shared leadership can boost performance, and the work of van Ginkel and van Knippenberg (2012) supported the idea that it is essential for a leader to realise the importance of a team spending time exchanging and sharing information to achieve the best results. In addition, Phornprapha and Chansrichawla (2007) argued that the main duty of a leader is not just to give instructions but also to educate employees through practical work intelligence.

Lastly, this concept of team-based leadership can also be viewed through the notion of empowerment due to their similarity in nature. Interestingly, empowerment is conceptualised into two main parts. 'Discretionary empowerment' focuses on efforts to give frontline workers greater autonomy in the workplace and to let them decide for themselves how to do the work. It provides the employees with the power to actively manipulate their environment by themselves. Therefore, empowerment is a set of management practices that gives greater autonomy and control to workers (Kirkman & Rosen, 1999; Kirkman, Rosen, Tesluk, & Gibson, 2004). The other type of empowerment is psychological empowerment, which makes employees feel that they have choices and the power to initiate actions when they feel competent, when they perceive they have an impact, and when they feel the job is meaningful (Spreitzer, 1995; Thomas & Velthouse, 1990). People are more motivated when they feel that they are trusted, informed, supported, motivated, in control, and competent. They feel that their jobs are important and have a meaningful impact on others. Thus, they feel a greater level of psychological empowerment when they have the freedom to initiate actions that they know will have benefits. Empowerment programmes may also improve productivity by giving employees the opportunity to make process improvement.

Employees' satisfaction can be increased through the concept of empowerment as they have a better commitment to their team members as well as the organisation. Vecchio, Justin, and Pearce (2010) concluded that an empowering leadership style reduces resistance from employees. However, Conger and Pearce (2009) posited that empowerment is a critical and necessary component for the development of shared leadership in a group,

and that although empowering leadership is the act of shared leadership, it is not equivalent to shared leadership. In order for shared leadership to fully exist in a group, members must be actively engaged and participative in the leadership process.

## Classical Leadership versus Shared Leadership

Doyle and Smith (2001) made a comparison between top-down and lateral leadership styles. It is evident that leadership takes place at every level of the organisation. Normally it is perceived that the top leader exercises his or her leadership through a chain of command down from the top to the bottom of the pyramid. However, in reality organisational members do not have to have formal managerial titles to initiate leadership that will take effect (Yammarino, Dionne, Chun, & Densereau, 2005). Denis et al. (2012) summarised that open discussion of ideas helps challenges become opportunities rather than threats. Shared, plural forms of leadership are particularly well adapted to knowledge-based organisations, which are characterised by task complexity and highly qualified employees. Given that leadership concepts are the end results of connecting people's beliefs, values, and needs, most contemporary management researchers and practitioners consider transformational and shared leadership practices as a response to global complexity and interdependence (Bass, 1997; Bligh et al., 2006; Denis et al., 2012; House et al., 2004).

By creating team ground rules that foster cohesion, shared leadership is supposed to bring about transformation that will lead to the right mindset and appropriate skill sets that will help the team to cope with the fast-changing work environment. Yet, one could argue that the success of leaders is relevancy; Ashley (1992) and Verespej (1990) agreed that the implementation of team-based knowledge work is not always associated with increased effectiveness. Teams often fail to live up to their potential due to their inability to smoothly coordinate team members' actions and the lack of effective leadership to guide this process (Burke et al., 2003). For this reason, it is crucial to develop models of team leadership that are more predictive of successful outcomes, such as knowledge creation and productivity.

## Thai Cultural Values in the Workplace

Regarding the issue of culture in leadership, there are many factors that form culture, and they shape how cognitions and perceptions occur in groups.

Konu and Viitanen (2008) learnt that a group's values are an important predictor of shared leadership. Carson et al. (2007) found that internal environment (i.e. organisation cultural values) is also a contributor of shared leadership. Wood (2005) discovered that if a team and its members perceive that they are empowered they are more likely to behave in a way that shares leadership. As this study was conducted in Thailand, it is significant to introduce some of the main cultural values of Thai employees. For instance, in Thailand group members of a specific culture expect that power in the group, organisation, and society be distributed unequally to a certain degree – which is known as large power distance (Hofstede, 1980, 1991).

The work of Pearce (2008) suggested that countries with cultures that are nurturing or aggressive have fascinating implications for how leaders lead and develop their team members around them. For example, a collectivist society tends to be more nurturing, and therefore leaders are more interested in developing the potential of people around them than competing. Humborstad and Perry (2011) found that to ensure empowerment in a larger power distance setting leaders should foster positive job attitudes through better and wider communication of the purpose of empowerment and stronger organisational and supervisor support.

## Research Methodology

The study uses a case study methodology to explore the practice of shared leadership in the workplace and how shared leadership and empowerment identity could result in transformative development and implementation of People Passion, a talent management programme at KPMG Thailand. The case study approach presents opportunity to develop rich and comprehensive understanding about people and social process occurring in the programme (Yin, 1994). Evidence for the case analysis comes from in-depth interviews, document analysis, and observation over a four-year period. The researcher, as an observer, directed a series of face-to-face interviews with staff at all levels, including the CEO, the working People Passion team, and operational staff. The researcher also reviewed numerous documents provided by the working team and other participants. Such documents include reviews and reflections from an external group of 10–15 people who were invited every year over a four-year period to conduct on-site company visits and interviews with relevant staff to provide independent assessment of the programme implementation.

The People Passion programme was investigated once in terms of workplace learning and identity transformation (Phornprapha, 2015). However,

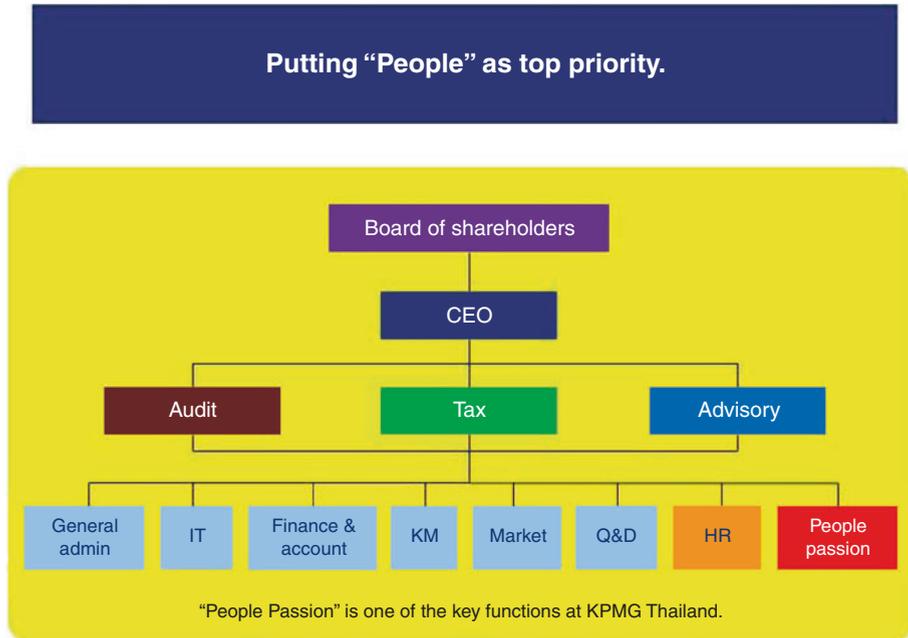
for this study the additional interview data on team-based leadership were collected from the CEO herself, plus team members and people involved. The facts were then interpreted and discussed in more depth to examine how shared leadership and staff empowerment are being implemented to create a resourceful team-based leadership culture. That is, the focus is more on the practice of shared leadership and how the groups of potential leaders are trained within the working environment that was their own creation.

## Findings

KPMG is one of the big four auditors and one of the largest professional services companies in the world. It provides three lines of services: audit, tax, and advisory. It employs about 155,000 people in more than 152 countries. KPMG has been in Thailand for nearly 50 years and employs about 1,000 people from Thais to expatriate professionals. One of the reasons for its success in Thailand lies in its focus on people strategy. By emphasising the importance of people, KPMG manages to differentiate itself in a highly competitive market. The programme that KPMG Thailand developed for this purpose is called People Passion. The CEO of the company, Kaisri Nuengsigkapan, decided to set up and pursue a People Passion project in the hope of retaining and attracting talents, the firm's most important asset, to differentiate the company and help it rise above the competition.

The CEO can be characterised as an achiever, a perfectionist, and a maximiser who focuses on making an impact, is task/outcome-oriented, and is an honest and passionate leader who always looks for improvement. She mentioned in the interview that 'for a leader, it is crucial to lead by example (walk the talk), always deliver what is promised, make things happen, and have the attitude of understanding that people are different. Hence, leadership must be personalised according to the need to develop each person individually according to his or her needs'. She believes in growth, not financial budgeting, and has zero tolerance for unethical behaviour.

The CEO explained that the company needed to build its own strength from a group of happy employees since financial incentives and reputation no longer influenced the talent's decision. Talent supply has been stagnating in the past few decades, while demand has risen substantially, because people give companies the strength to withstand and rise above the competition. Plus, the usual limitations of traditional human resource management were (a) their excessive focus on administration and employee rules and



**Fig. 1** People Passion as a core function unit

regulations and (b) the rigidity of the habitual human resources development (HRD) unit, which focuses only on macro-level skills training.

The People Passion project is completely uncoupled from the HR department and covers all human-related topics for which the HR department was not responsible (as shown in Fig. 1). The People Passion department focuses on creating passion for work throughout the firm and develops each individual’s qualities, strengths, and work skills. The programme is an essential part of KPMG’s organisation strategy (Fig. 2).



**Fig. 2** Objectives of the People Passion project

The project aims to enable workers to become more motivated and encourage employees to work more productively. It aimed at creating a common culture and bringing people together, while respecting and enhancing individuality. Its focuses included building relationships, helping individual employees find their passion, creating multicompetent innovative teams, unifying the workforce, and leading people in their careers by providing them with a great working environment. Most importantly, the development was intended to be achieved on an individual level in trying to bring out the strength of each employee (unleashing their potential) and making them feel comfortable and confident in what they did. The programme had two phases. Phase 1 took place from 2008 to 2011, and phase 2 covered 2012 to 2015 (Table 1).

*Phase I (2008–2011):* The CEO embedded the People Passion project in the company policy. She started to formulate a macro strategy for the programme and then develop it into smaller strategies which then became various activities that would help her achieve the project goals.

(a) *Release potential:* It was the core of the project and the enabler of other strategies. As KPMG acknowledged that each employee is unique with different abilities, such differences are strengths that need to be discovered and managed correctly so that the employee can work and reach his or her full potential.

People Passion used a ‘strength finder’ to create awareness of staff themselves and to help them with the concept that people succeed when they focus on what they do best. The ‘strength finder’ helped to identify the five strongest talents of each individual based on the argument that when employees identify their talents and develop

**Table 1** The two phases of People Passion

First phase of People Passion	Second phase of People Passion
1.1 Release potential	2 Building care and connection.
(a) Strength finders	(a) Helping others to get to that position
(b) SWOT	• Talent development
1.2 Encouraging environment	• Performance and reward
(a) Stop	• Employee engagement
(b) Start	• Resource mobility
(c) Continue	(b) Achieving full potential
1.3 A Great place to work	• Recruiting happy helpers from every
✓ Staff create their own work	units as mentors to help staff
life balance environment	

them into strengths, they are more productive, perform better, and are more engaged (Rath, 2007). With awareness of strong American cultural values embedded in this tool, the Gallup's Clifton StrengthsFinder assessment was only used as the first step to provide a common ground for helping employees to plan their own empowerment by focusing on their own strengths (Fig. 3). The People Passion team then assisted them with how to utilise these strengths and therefore become better team members.

The second step of the releasing potential strategy was to SWOT framework to identify each employee's strengths and weaknesses. Then the strengths were used for the maximum opportunity and they tried to reduce the weaknesses and threats.

- (b) *Encouraging environment*: It aimed to create the People Passion vision by encouraging empowerment and enhancing team-based discussion among the employees regarding what they could do to improve the working environment. KPMG employees were asked to follow the 'stop-start-continue' programme in all their doings. The concept was for the

The four domains of leadership strength			
Executing	Influencing	Relationship building	Strategic thinking
Achiever	Activator	Adaptability	Analytical
Arranger	Command	Developer	Context
Belief	Communication	Connectedness	Futuristic
Consistency	Competition	Empathy	Ideation
Deliberative	Maximizer	Harmony	Input
Discipline	Self-assurance	Includer	Intellection
Focus	Significance	Individualization	Learner
Responsibility	Woo	Positivity	Strategic
Restorative		Relator	

Fig. 3 People Passion's themes of human uniqueness (referenced from Gallup)

employees to reflect on their doings, ‘stop’ the things that were not working, ‘start’ thinking about how to improve them, and ‘continue’ what had been working well.

In addition, the encouraging environment initiative was meant to focus on shared ethical values driving for employee recognition. Employees were also rewarded based on this behaviour and were expected to always follow KPMG’s clearly established guidelines and policies for acceptable and ethical behaviour.

(c) *A great place to work*: This strategy generated the desired output, such as work–life balance to achieving shared leadership. Employees determine how they want the learning and coaching environment to be by creating their own choices surrounding work-life balance. That is, employees can advise and suggest the activities for approval and therefore become part of the team, wherever they are – even if they are not part of the staff or the People Passion team.

The first phase was evaluated with the employee survey (Fig. 4).

Not only did people indicate that People Passion had a positive impact on their work-life balance, but it also created good rapport amongst the

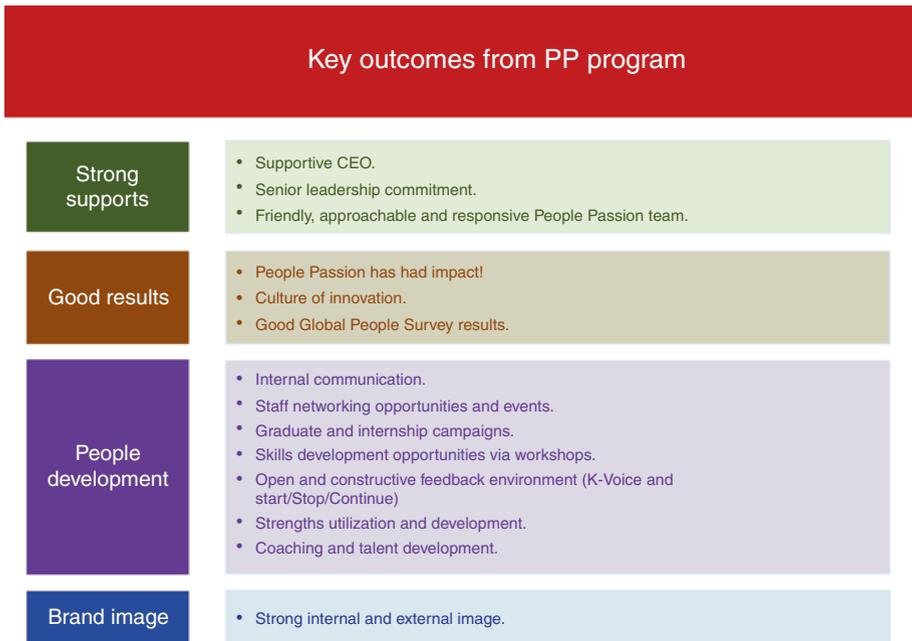


Fig. 4 Evaluation of the first phase

staff at every level through the knowledge of themselves (strengths) and the assistance they received from the People Passion team with empowerment and goal setting.

*Phase 2 (2012–2015):* KPMG Thailand continued its success with additional experiments in the second phase of the People Passion programme aiming at creating good rapport among the employees themselves to create a genuine ‘happy workplace’. The company aimed to reduce staff turnover and a new generation of talents from outside. The key challenges mostly concerned creating an open culture where people could communicate their thoughts better.

- (a) After the phase 1 goal of building up employees to their fullest potential was achieved, the phase 2 goal of ‘helping others to get to that position’ started. The initiatives consisted of building care and connection, achieving full potential, and reaching out. Many programmes were included in this phase, such as ‘talent development’, ‘performance and reward’, ‘employee engagement’, and ‘resource mobility’ which sent employees out to Southeast Asian countries for training to gain international experience. The People Passion team worked closely with the employees at all levels to find the solutions to the turnover issue and the positioning of the company.
- (b) To speed up the transformation of new staff identities so that they could become KPMG personnel faster, different sub-programmes combined with active communication were employed. One crucial implementation in this second phase was to recruit ‘happy helpers’ from every unit of the organisation as the ambassadors to each unit. These ‘happy helpers’ acted as change agents as well as mentors to help the staff get things right and reduce discontentment at work. Happy helpers acted as intermediaries to provide feedback to the management when needed.

In order to facilitate positive attitudes at work and to motivate people, the happy helper was designated to give the new consultant all the advice he/she needed and explain all the processes (Fig. 5). The mentor was considered as a referent. His or her duty was to communicate and understand the aims and goals of the firm among all employees at all levels. At the same time, he or she helped to reflect the thinking from the executive levels. This movement also helped to create big changes in the firm because the company wanted everyone to be happy and think positively.

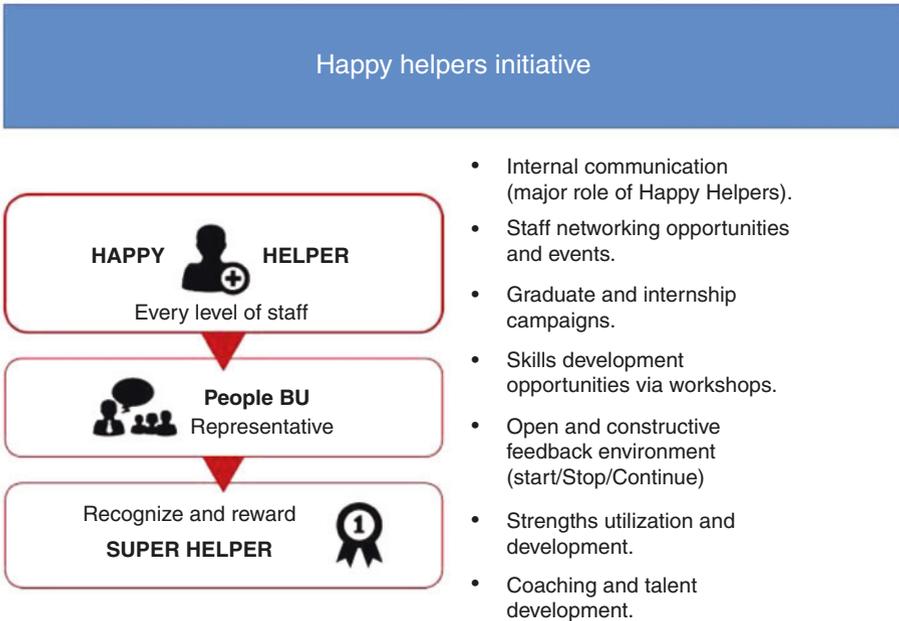


Fig. 5 Happy helper

## Discussion and Implication

Regarding the impact of leadership on the motivation and engagement of employees, there is a direct correlation between the motivation and engagement of employees and the effort they bring every day to their jobs. An appropriate leadership style can boost that engagement and help employees to make stronger contributions in the organisation. Two main points for discussion can be drawn from this case. First is how shared leadership and staff empowerment are implemented among team-based knowledge workers. Second is the role of the CEO as the head of the organisation and her initiatives of the programme.

The uniqueness of this programme is that it creates direct communication at all levels of employees through a group of talents using a team-based approach to problem solving as well as enhancing positive collectivism among staff members. By turning every employee into a leader, this innovative HRD programme proved that it is possible for a company to effectively develop a group into a team of leaders. This unique Thai HRD programme expresses individual subjectivity. To create a visible impact and make the

most of diversity within the organisation, the programme showed the staff how they could use these strengths to become better team members. Understanding and effectively using everyone's strengths will help make a workplace efficient and happy.

## The Practice of Shared Leadership and Empowerment

Shared leadership represents a conceptualisation of leadership characterised by the serial emergence of temporary leaders, depending on the tasks facing them and the knowledge, skills, and abilities of the team members (Bligh et al., 2006; Pearce and Conger, 2003; Fletcher and Kaufer, 2003). That is, team members take on the leadership tasks for which they are best suited or that they are most motivated to accomplish. Indeed, this People Passion programme focused on how interpersonal influence operates between members of a team. The staff could voice their thoughts and suggest to the top executives how they could grow. This was an interactive influence process among individuals in a group for which the objective was to lead one another to the achievement of group or organisation goals or both, and this influence process often involved peer, or lateral, influence and at other times involved upward or downward hierarchal influence.

In particular, People Passion team members acted as ambassadors working for both the CEO and the employees. By coordinating the exchange of information between the parties involved and making certain that the information was correct, they became a resourceful team who worked with every member of staff and let them know that they could voice their thoughts about how they could help the company leadership to achieve the target and goals that they desired. Hence, this culture of open communication and direct feedback made the staff feel they had been rewarded for contributing their ideas. As one of the employee stated, 'I saw a genuine attempt of management to change some complex situation. I also felt happy to know that my voice was finally being listened to, which led to an increase in my overall motivation and engagement.'

In addition, the People Passion team helped employees to feel passionate about their work and enjoy working for KPMG by highlighting the importance of a social process that encouraged a more explicit focus on the egalitarian, collaborative, mutually enacted, and less hierarchical nature of leader-follower interactions (Fletcher and Kaufer, 2003). While Rousseau and House (1994) cited that organisational members who share a belief that

teamwork is seen as desirable can form the basis of a team-oriented culture through processes of social construction, ongoing interaction patterns, and shared values. In addition, Phornprapha (2015) suggested that the People Passion programme helped to reduce the communication barriers within the chain of command and stimulated adult learning experiences among all levels of staff.

Regarding the releasing potential initiative, the company and employee jointly derived the employee's best position and how he or she could best be leveraged to help achieve the common and personal goals. Understanding everyone's strengths and utilising them effectively was beneficial in creating an efficient and happy workplace. Furthermore, one employee could appreciate another's perspective more when they knew each other's strengths and were striving for the same goal. This in turn would lead to a strong sense of unity in the workforce. The following comments by an employee provided supporting evidence: 'Our superiors were aware of the potential differences on each problem, and with our suggestions they were keen to tailor the solutions to the needs of each particular problem.'

Empowerment is a critical and necessary component in the development of shared leadership in a group. Kirkman et al. (2004) attained that employees' satisfaction can be increased through the empowerment concept as employees have a better commitment to their team members as well as the organisation. People feel a greater level of psychological empowerment when they have the freedom to initiate action that they know will have benefits. Empowerment programmes improve productivity by giving employees the opportunity to make process improvement, reducing resistance from employees (Vecchio et al., 2010). In order for shared leadership to fully exist in a group, members must be actively engaged and participative in the leadership process.

Effective communication then becomes the key to motivate and change the employee's attitude as the main duty of the leader is not just to give instructions but also to educate employees through practical intelligence at work (Phornprapha & Chansrichawla, 2007). For this reason, it is crucial to develop models of shared leadership that are more predictive of successful outcomes, such as knowledge creation and productivity. In addition, People Passion and the happy helpers have regular meetings among themselves, with the presence of the CEO, in order to share information and any progress in dealing with possible issues that they encounter. This knowledge management and shared leadership practice helps develop the group of happy helpers as they learn new aspects of managerial issues as well as practical techniques and solutions to various problems.

## Creating Shared Leadership Culture

People Passion supports Pearce's (2008) suggestion that collectivist societies (like Thailand) tend to be more nurturing, and therefore leaders are more interested in developing the potential people around them than competing. By allowing these talents to have more freedom of movement to focus on what they see as the issue (rather than the organisation's focus), and to have a chance of being in touch with what people are feeling at the frontline, they have developed leadership skills through their roles as influencers.

The CEO empowered her employees, especially the new generation, to take on challenging tasks and initiatives even though they had little experience. She believed in the potential of youth and embedded the idea that there was no limitation to their career advancement and they had the power to design their own lives. To show this, she gave opportunities to employees in all positions and at all ages, assigning them challenging tasks as well as setting high expectations. She believed that it was 'passion' that would drive the firm to success. To achieve this, she created an environment that would help build confidence, inspire her workers to make things happen, and make them feel that they are a part of the organisation. This incident is in line with Humborstad and Perry's (2011) finding that to ensure empowerment in a larger power distance setting, leaders should foster positive job attitudes through better and wider communication of the purpose of empowerment and stronger organisational and supervisor support. Giving, talking, gaining, or protecting 'face' in a social setting, and creating a sense of belonging to the organisation make employees feel 'part of the family' and emotionally attached, which enhances commitment.

## Impact of Transformational Leadership on the Programme

The programme was very successful, mainly due to the CEO's great leadership skills that bring positive values for the firm. Being a task-oriented person, she realised that she needed to be more observant and should learn how other people think and behave. Implementing strategic changes within the organisation requires not only a strong leader but also a great commitment. For example, the CEO of KPMG Thailand was highly committed to the project, leading the team by herself and pushing it very strongly so that employees had no choice but to adapt and accept the new change. If not, they were asked to change, or in extreme cases, they left the organisation. The CEO was involved in all activities: setting up the team, creating the vision,

diagnosing the problems, providing direction and guidance, participating in all events, talking with and training staffs at all levels, to singing and drinking with the employees and remembering their birthdays and preferences. The leader's sincerity and good intentions led to trust being gained from her employees. With the CEO's strong commitment, the staff would not only feel more confidence but also feel the strong support and care given to them by their leader, which led to higher motivation and commitment at work. Nuengsigkapan, the CEO, even named herself chief encouragement/entertainment officer (CEO) to reflect her vision and commitment. She also invented the 'CEO blog' as a direct channel of communication to her employees.

Interestingly, her leadership style could also be seen as 'transformational leadership', which is about how a leader engages with his or her followers regarding their beliefs, needs, and values. Transformational leaders are proactive. Rather than working within a particular organisational culture, they work to create an adaptive organisational culture by inspiring and implementing new ideas. As Bass (1997, 1999) pointed out, a transformational leader raises the consciousness of his or her followers regarding the significance of organisational goals and new ways to achieve them. He or she explicitly brings the positive changes to the organisation by inspiring followers to go beyond their original goals. As demonstrated by Nuengsigkapan, 'The key is to start with a good intention and build trust so that the people can see it. A leader can then gain the support or the majority that will help aid the change process. Since it is not possible to satisfy everyone, the organisation must move on with the majority.' In this study, the CEO not only successfully transforms her organisation by engaging followers on their beliefs, needs, and values, but she also manages the transactional aspects well too (exchanging tangible rewards for the work and loyalty of the followers by understanding what the followers want out of their work and rewarding the appropriate level of effort).

## Limitations

This study used the innovative HRD programme of an international company in Thailand. Even though it was proven to be successful, many other companies have tried to implement the same concept and failed. It would be useful to also investigate how and why some companies were successful while some failed. Future research should also investigate the impact of culture, which might have played a vital role in the success or failure of this Thai

HRD programme. The study results should be interpreted with some amount of caution since some inherent limitations of a single-case research exist. While the single-case study of People Passion Programme provided empirically rich, context-specific information, the issues of subjectivity and generalisation are common.

## Conclusion

In conclusion, the realisation of the People Passion programme strongly supports the notion that shared leadership and staff empowerment can positively affect individual-, group-, and organisational-level outcomes. Again, the key is based on trust and respect. Their success depends on how their corporate culture gains feedback from all points of hierarchy. The People Passion programme's formula is to empower, encourage, and install confidence in co-workers. Interestingly, the People Passion team acts as a change agent to the staff, providing more of a mentoring and coaching relationship. Once the staff can function well on their own, the People Passion team acts as a catalyst in helping employees to communicate to the top senior levels. Indeed, leadership originates from all levels. A good mixture of team members helps employees to speedily adjust themselves to the new culture of the firm. The programme is aimed at creating a common culture and bringing people together while still respecting and enhancing individuality. This in turn will lead to a strong sense of unity in the workforce.

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# How Leader Member Exchange Impacts Employees' Perceptions of Organizational Support, Embeddedness and Satisfaction: Some Evidences from Pakistan

Tahreem Sadiq and Faisal Qadeer

## Introduction

Pakistan is a developing country and its economic growth is expected to be 15 times greater in the next 35 years, which boosts its economic status in the world from current 41st to 18th largest economy in terms of GDP, predicted by economist Jim O'Neill (January, 2014). The service sector of Pakistan is gaining importance in the economic structure and contributes a 59% share of GDP (Pakistan, 2015). This sector has a higher growth rate than agriculture and industrial sector. The banking industry is playing a vital role toward the growth of service sectors of Pakistan. Overall 41 scheduled banks including public commercial, local private, foreign, specialized and Islamic banks with 13,367 branches are working in Pakistan (State Bank of Pakistan, 2015). Private banks own about 80% of the banking industry's assets and utilize efficient human resource management practices, thereby hiring best available talent and developing effective leadership.

Much of leadership effectiveness theories can be usefully classified on the bases of the characteristics of leaders, followers and situation. Another

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useful way of classification is the level of analysis, which sorts leadership from intra-individual, dyads or group levels to organizational process. Most of the dyadic-level researches concentrate on the relationship between leader and employee (subordinates or members) and theories generally place emphasis on the influence of leader behavior on employees' attitudes and behaviors (Yukl, 2009). From a relationship-based approach, leader member exchange (LMX) theory as a social exchange view is most commonly investigated for leader's influence on employee's attitudes and behavior.

Literature reports positive relationship of LMX quality with desired employee outcomes, e.g., job satisfaction, job performance (Garg & Dhar, 2014; Luo, Song, Marnburg, & Øgaard, 2014) and negative relationship with undesired employee outcomes (e.g., leave intention, turnover) (DeConinck, 2011). In addition to the direct impact of LMX on employee outcomes, researchers indicate the presence of intervening (mediating) mechanism (Gerstner & Day, 1997; Schriesheim, Castro, & Cogliser, 1999) and highlight the need to explore these mechanisms (Harris, Wheeler, & Kacmar, 2011). A meta-analysis finds a moderate to nonsignificant correlation between LMX and employee outcomes (Gerstner & Day, 1997), which supports the presence of an intervening mechanism. Therefore, further examination is required to advance the understanding of LMX-employee outcomes relationship. The existing research of this stream is conducted in a Western context and leaves room for investigation in Asian context (Chan & Mak, 2012; Luo, Wang, Marnburg, & Øgaard, 2016).

Asian context is stressed in leadership research due to cultural differences. Researchers suggest that some processes and leadership outcomes are unique in Asia (Lam et al., 2012). Particularly, LMX operates differently in high-power distance and collectivist cultures of Asia (Rockstuhl et al., 2012). In high-power distance cultures, employees are generally more loyal and submissive (Daniels & Greguras, 2014). Thus, LMX research in an Asian context may advance the theory by providing similarities and differences in employee outcomes.

Specifically the study aims (a) to investigate the predictive role of LMX toward generation of perceived organizational support, organizational embeddedness and three employee behaviors, i.e., job satisfaction, job performance and leave intention; and (b) to analyze the direct and indirect roles of perceived organizational support and organizational embeddedness between LMX and the three employee behaviors.

## Literature Review and Hypotheses

In understanding the work place behavior, *social exchange theory* is one of the most influential conceptual paradigms (Cropanzano & Mitchell, 2005). The theory explains exchange behaviors as voluntary actions of individuals, motivated by the returns they are expected to bring. Social exchange is a two-sided, mutually contingent and mutually rewarding process where the nature of exchange cannot be negotiated (Blau, 1964).

### Leader Member Exchange

Leaders occasionally have only one subordinate, i.e., single dyadic relationship and generally hold multiple dyadic relationships (Yukl, 2009). LMX theory suggests that a differentiated quality exchange relationship exists between the leader (immediate supervisor) and members (subordinates) of a group. More simply relationship quality of multiple dyads of a leader varies and ranges from low to high. The quality is identified most commonly by three dimensions, perceived contribution to exchange, loyalty and affect (Dienesch & Liden, 1986; Liden & Maslyn, 1998). The *Contribution* to exchange is the perception about the amount, direction and quality of work-oriented activity that each member puts forward in achieving mutual goals (explicit or implicit) of the dyad. *Loyalty* describes the degree to which the members of dyad protect each other relative to outside forces in their immediate environment. *Affect* captures the mutual affection dyadic members have for each other based primarily on interpersonal attraction rather than work or professional values.

Based on these dimensions, a high-quality exchange relationship is characterized by strong mutual influence, high loyalty and affection. Members of a group, who have a high-quality exchange relationship with a leader, are known as *ingroup* members while others are known as *outgroup* members. The LMX relationship develops quickly and remains stable with the passage of time (Graen & Uhl-Bien, 1995) and leads to different work outcomes.

The advancement of LMX theory under the social exchange approach is identified in various stages, on which the leadership model that explains LMX was developed (Graen & Uhl-Bien, 1995). This model proposes that the relationship between leader and members builds in three phases, role finding, role making and role implementation and once the relationship is built it generally remains stable. Parties must abide by certain rules, guidelines of exchange that are accounted for stability. In organizational

behavior researches, social exchange theory and LMX theory is framed on the basis of exchange rules, most commonly the reciprocity rule. From the three postures (independent, dependent and interdependence) that one person has for another, the interactions between parties (leader-member) are considered as interdependent transactions (Blau, 1964). Reciprocal interdependence emphasizes contingent interpersonal transactions, which reduces risk and encourages cooperation (Molm, 1994) and thus brings positive employee outcomes.

## Consequences of LMX

*Perceived organizational support* is a general belief of employees regarding an organization's commitment to them and describes the extent to which the organization values employee contributions and cares about their well-being (Armeli et al., 1998; Rhoades & Eisenberger, 2002). Its development is fostered by an employee's tendency to personify the organization. Due to this personification, employees consider the actions of supervisor as actions of the organization (Eisenberger, Huntington, & Sowa, 1986). Therefore, exchange relationships with supervisors are taken as exchanges with the organization and thus a high quality of LMX brings the perception of being cared about by the organization. Thus we propose that:

*H1: LMX quality of an employee positively relates to the perceived organizational support.*

*Job embeddedness* – a relatively new construct initially designed to measure voluntary turnover/leaving job – is defined as a net or a web in which an individual can become stuck in an organization due to organizational and community dimensions, which are further characterized by three components (a) links: formal or informal connections between a person and institutions or other people; (b) fit: an employee's perceived compatibility or comfort with an organization and with his or her environment; and (c) sacrifice: perceived cost of material or psychological benefits that may be forfeited by leaving a job (Mitchell et al., 2001). Researches highlight some measurement issues regarding community/off the job embeddedness (M. Zhang, Fried, & Griffeth, 2012) and show insignificant relationship of community dimension with some employee outcomes (Lee et al., 2004; Shafique et al., 2011). Therefore, this study only focuses on organizational dimension, known as organizational embeddedness, to predict employee outcomes (Burton et al., 2010; Harris et al., 2011; Smith, Holtom, & Mitchell, 2011).

Sparrowe and Liden (1997) indicate that a supervisor has potential to introduce key individuals of an organization to employees, which results in enlarged subordinates' social networks (Wayne, Shore, & Liden, 1997). Greater supervisor support and more resource allocation is expected in high LMX in comparison to low LMX (Dienesch & Liden, 1986) – supervisors generally offer resources in the form of information, time flexibility, promotion, increment, etc., which increases comfort or compatibility of employees within the organization, fit. Moreover, in case of high LMX, the psychological cost of switching is greater as an employee may have to give up things that are important to him/her, such as knowledge sharing from supervisor or sacrifice greater training opportunities. Overall, we expect that:

*H2: LMX quality of an employee positively relates to the organizational embeddedness.*

*Job satisfaction* generally refers to positive feelings about the job, resulting from evaluation of job characteristics. It is considered as an attitudinal variable or an affective component of attitude. One dimension of LMX quality, affect, is based on interpersonal attraction between employee and supervisor, which is more in high LMX quality and this may bring job satisfaction. Further, in the organization setting, an employee's job is observed and administered by their immediate supervisor. To some extent, a supervisor can exert control over the working environment, bringing motivating factors, rewards and promotions. All of the factors can bring positive emotions about one's job and thus job satisfaction (Gerstner & Day, 1997; Nerkar, McGrath, & MacMillan, 1996).

*Job performance* is an observable and scoreable behavior that is within the control of the individual and measures the extent to which individual behavior matches organizational goals (Viswesvaran, 2001). If the supervisor supports an employee beyond formal requirement, then in return it engenders strong feelings of personal obligation and a continuous episode of exchange where the employee exerts full energy toward the completion of the provided task. Therefore, it is expected that LMX quality is positively related to job performance.

*Leave intention* is an attitude that expresses the conscious and deliberate willfulness of employee to leave the organization (Tett & Meyer, 1993). In organizational literature, contextual variables are used to explain leave intention (Holtom et al., 2008). LMX is one of the contextual variables, the high quality of which brings positive feelings about supervisors (Dienesch & Liden, 1986) and thus in return positive feelings about the organization too. These

positive feelings can lessen negative emotions and thus are expected to decrease leave intention.

Based on the above arguments and evidence from the previous research, LMX quality is expected to positively relate with job satisfaction (Cogliser et al., 2009; Gerstner & Day, 1997; Harris et al., 2011) and job performance (Chan & Mak, 2012; Cogliser et al., 2009; DeConinck, 2011; Jokisaari, 2013; Kuvaas et al., 2012; Law, Wang, & Hui, 2010; Li, Sanders, & Frenkel, 2012; Z. Zhang, Waldman, & Wang, 2012), while negatively relating with leave intention (DeConinck, 2011; Kim, Lee, & Carlson, 2010). Thus we propose that:

- H3:* LMX quality of an employee positively relates to (a) job satisfaction; (b) job performance and negatively relates to (c) leave intention.

## **Perceived Organizational Support and Employees' Behaviors**

The illustration of perceived organizational support is presented in organizational support theory and conceptualized in terms of social exchange theory under the reciprocity norm (Cropanzano & Mitchell, 2005). That is, favorable organizational treatment, job conditions, policies and resource allocation not only contribute to perceived organizational support but also make employee feel obliged, which fosters positive and lessens negative attitudes and behaviors (Garg & Dhar, 2014; Loi, Ao, & Xu, 2014). With this notion, a number of studies tested the relationship of perceived organizational support with job satisfaction, job performance and leave intention (Chen, Aryee, & Lee, 2005; Eisenberger et al., 2001; Jokisaari, 2013; Pack et al., 2007; Rhoades & Eisenberger, 2002; Riggle, Edmondson, & Hansen, 2009; Valentine, Greller, & Richtermeyer, 2006). In line with the existing evidence, we propose that

- H4:* Perceived organizational support of an employee positively relates to (a) job satisfaction; (b) job performance and negatively relates to (c) leave intention.

## **Perceived Organizational Support as Mediator**

Leadership research is mainly concerned with how leadership variables, in combination with situational and contextual variables, explain outcomes (Cropanzano & Mitchell, 2005; Graen & Uhl-Bien, 1995). LMX and

perceived organizational support both have their roots in social exchange theory with a similar norm, which indicates the alignment of both concepts. LMX and perceived organizational support literature frequently discuss job satisfaction, job performance and leave intention as outcomes. Empirical studies indicate the differential relationship of LMX and perceived organizational support with employee outcomes and following previous studies' (Cropanzano & Mitchell, 2005) indication we propose that:

*H5:* Perceived organizational support of an employee mediates the relationship of LMX quality and (a) job satisfaction; (b) job performance and (c) leave intention.

## **Organizational Embeddedness and Employees' Behaviors**

With an emerging trend for inclusion of new explanations of variables, networking forces became important. The network forces within an organization create an invisible web in which employees can become stuck, thereby decreasing their thoughts of leaving the organization and hence increasing their cognitive intention to stay (Mitchell et al., 2001). Organizational embeddedness creates a powerful networking force that can generate positive attitudes and behaviors (Burton et al., 2010; Halbesleben & Wheeler, 2008; Lee et al., 2004). Therefore, we expect that:

*H6:* Organizational embeddedness of an employee positively relates to (a) job satisfaction; (b) job performance and negatively relates to (c) leave intention.

## **Organizational Embeddedness as Mediator**

Organizational embeddedness theory suggests that social expectations influence employee outcomes (Mitchell et al., 2001). Social expectations mature as a result of continuous episodes of exchange because before taking an action parties make conscious choices based upon self-interest (Blau, 1964). Support from a supervisor beyond formal relations increases link, fit and sacrifice, which in turn fosters desired employee outcomes. A high LMX quality between leader and members helps generate network strength among them. In this case, employees feel more comfortable to perform and remain in the network. Therefore, organizational embeddedness can be conceptualized on the base of social exchange theory as a mediating variable between

LMX and outcomes. This notion is also supported in previous literature (Harris et al., 2011; Wayne et al., 1997). Thus we propose that:

*H7:* Organizational embeddedness of an employee mediates the relationship of LMX quality and (a) job satisfaction; (b) job performance and (c) leave intention.

## Research Methodology

### Sample

This study was conducted in a large private multinational bank of Pakistan. Respondents were the managers and permanent employees in the branches. Utilizing probability proportionate to size sampling, 24 branches were randomly selected having 209 employee-manager dyads. The surveys were conducted by making personal visits and emails during the routine working hours after receiving due permission of the managers. Prior to the survey, an introduction to the study was offered and confidentiality was assured.

### Instruments

One questionnaire was used for employees to collect responses on all study variables except employee performance and another questionnaire from manager to collect responses on employee performance. Both the questionnaires were administered in English containing items of validated constructs. In Pakistan, the medium of study is English and the respondents were well educated; therefore, they did not find any difficulty in understanding the survey items. Before the full scale survey, a pilot study was conducted on 10 employees and 2 managers working in branches other than the sampled branches. Some minor changes were made regarding the sequence of items.

### Measurement

LMX quality was measured through a seven-item scale (Scandura & Graen, 1984) on a four-point categorical scale where high value represents high quality of LMX. Scale reliability was  $\alpha = 0.847$ .

Perceived organizational support was measured by nine items adapted from Allen et al., (2008). Organizational embeddedness was measured by

seven global items (Crossley et al., 2007). Job satisfaction was measured by three items (Cammann et al., 1979). Job performance was measured by the five-item scale adapted in Janssen and Van Yperen (2004). Leave intention was measured by using four items from Crossley et al. (2007). Items of all dependent variables were rated on seven-point Likert scale, where high value represents high value of the constructs. All variables show high reliability as  $\alpha$  was 0.934, 0.791, 0.843, 0.787 and 0.920, respectively.

## Findings

Actual sample size was 154 dyads with a response rate of 74%. Of these respondents, 81% were male; about 50% were married; 47% fall within the age group of 26–30 and 26.0% within 31–35, with the remainder either below 25 or above 35 years. Formal education of the respondents was 15.4 years and their bank tenure, branch tenure and tenure with manager is 5.7, 2.8 and 1.3 years, respectively. Mean of the manager's branch tenure and bank tenure are 2.8 and 8.7 years, respectively. Average age of manager was 38.6 years.

Descriptive statistics and inter-correlations among the study variables are presented in Table 1. LMX shows positive correlation with perceived organizational support, organizational embeddedness and job satisfaction (0.623, 0.392, 0.536;  $p < 0.01$ ) and negatively correlated with leave intention ( $-0.175$ ;  $p < 0.05$ ). Perceived organizational support is positively correlated with job satisfaction and job performance (0.692, 0.255;  $p < 0.01$ ), while organizational embeddedness is positively correlated with (0.638;  $p < 0.01$ ) job satisfaction. All these correlations are in the hypothesized directions.

To test the hypotheses, we performed stepwise linear regression by controlling three variables (employee's formal education, bank tenure, branch tenure and tenure with the manager). Results of analysis are provided in Tables 2–4. None of the control variables seems significantly related to any of the five dependent variables.

Table 2 shows that LMX had significantly positive relationship with perceived organizational support (coefficient = 0.701,  $p < 0.01$ ; step 2a) and organizational embeddedness (coefficient = 0.519,  $p < 0.01$ ; step 2b). Therefore, *H1 and H2 are strongly supported*. LMX had significantly positive relationship with job satisfaction (coefficient = 0.547,  $p < 0.01$ ; step 2c; Table 3), no significant relationship with job performance, and it is significantly and negatively related with leave intention (coefficient =  $-0.310$ ,  $p < 0.01$ ; step 2e; Table 4). Therefore, *H3a and H3c are supported*. However, our data does not support H3b.

Table 1 Mean, standard deviation and correlations

Variables	Mean	SD	1	2	3	4	5	6	7	8	9
1. Formal education	15.388	1.409	1								
2. Bank tenure	5.671	3.333	-0.052	1							
3. Branch tenure	2.807	2.472	-0.044	0.392**	1						
4. Tenure with the manager	1.294	1.162	-0.210*	0.263**	0.332**	1					
5. Leader member exchange	2.969	0.633	0.013	0.093	-0.132	0.118	1				
6. Perceived organization support	4.652	1.226	-0.032	0.013	0.007	0.109	0.623**	1			
7. Organizational embeddedness	4.461	1.098	-0.035	0.113	0.041	0.133	0.392**	0.591**	1		
8. Job satisfaction	4.588	1.328	-0.101	0.229**	0.119	0.167	0.536**	0.692**	0.638**	1	
9. Job performance	5.490	0.943	0.102	0.149	0.161	0.105	0.115	0.255**	0.138	0.180*	1
10. Leave intention	3.389	1.399	-0.011	-0.157	0.048	0.005	-0.175*	-0.119	-0.057	-0.211**	0.077

\*  $p < 0.05$ ; \*\*  $p < 0.01$

**Table 2** Linear regression for POS and OE

	POS		OE	
	Step 1a	Step 2a	Step 1b	Step 2b
<i>Control</i>				
Formal education	0.048	0.010	-0.004	-0.032
Bank tenure	-0.198	-0.235**	-0.102	-0.130
Branch tenure	-0.032	0.172	0.023	0.174
Tenure with the manager	0.146	0.010	0.055	-0.046
<i>Independent</i>				
Leader member exchange		0.701**		0.519**
<i>R</i> <sup>2</sup>	0.057	0.505	0.012	0.114

\*\* *p* < 0.01

**Table 3** Regression models for job satisfaction

	Step 1c	Step 2c	Step 3c	Step 4c	Step 5c
<i>Control</i>					
Formal education	-0.028	-0.058	-0.044	-0.065	-0.057
Bank tenure	0.087	0.058	0.114	0.219*	0.220*
Branch tenure	0.089	0.249*	0.174 <sup>^</sup>	0.131	0.113
Tenure with the manager	0.064	-0.043	-0.023	-0.049	-0.038
<i>Independent</i>					
Leader member exchange		0.547**	0.324**	0.066	0.035
<i>Mediator</i>					
Organizational embeddedness			0.429**		0.225*
POS				0.687**	0.564**
<i>R</i> <sup>2</sup>	0.031	0.304	0.441	0.538	0.568

POS perceived organizational support

<sup>^</sup> *p* < 0.10; \* *p* < 0.05; \*\* *p* < 0.01

The results in Table 3 show that perceived organizational support significantly and positively relate (step 4c; Table 3) with job satisfaction (coefficient = 0.687, *p* < 0.01), does not significantly relate with job performance and leave intention. Therefore, *H4a is supported; H4b and H4c found no support.*

In order to determine the mediation, we followed Baron and Kenny's (1986) three-step regression procedure. First, the independent variable should be significantly related with the mediating variable. Second, the independent variable should be significantly related with the dependent variable. Third, the mediating variable should be significantly related to the dependent variable with the independent variable included in the equation. If these three steps hold for dependent and mediating variables and the beta value for the independent variable drops and turns into insignificant from the second to third step and mediator remains significant, then full

**Table 4** Regression models for leave intention

	Step 1e	Step 2e	Step 3e	Step 4e	Step 5e
<i>Control</i>					
Formal education	-0.141	-0.124	-0.122	-0.123	-0.117
Bank tenure	-0.125	-0.109	-0.099	-0.136	-0.136
Branch tenure	0.018	-0.072	-0.086	-0.053	-0.065
Tenure with the manager	0.066	0.127	0.130	0.128	0.136
<i>Independent</i>					
Leader member exchange Independent		-0.310**	-0.351**	-0.230	-0.250
Organizational embeddedness			0.078		-0.196
POS				-0.115	0.149
$R^2$	0.039	0.126	0.131	0.133	0.146

POS perceived organizational support

\*\*  $p < 0.01$

mediation is present but if independent's beta value drops but remains significant then partial mediation is present.

For H5a, all three conditions are satisfied owing to the support of H1, H3a and H4a and the significant regression coefficient of LMX drops from 0.547 to 0.066 in the presence of the mediator and remains no more significant (steps 2c and 4c, Table 3), which shows that perceived organizational support mediates the relationship between LMX and job satisfaction. *Therefore, H5a is supported.*

For H5b, the first condition is the same as that of H5a, hence satisfied; the second condition and third condition is not satisfied and thus perceived organizational support does not mediate the relationship between LMX and job performance. *Therefore, H5b is not supported.*

For H5c, the first condition is same as that of H5a, second condition is satisfied (step 2e, Table 4) but third condition is not satisfied (step 4e, Table 4). Therefore, perceived organizational support does not mediate the relationship between LMX and leave intention, thus *H5c is not supported.*

The results in Table 3 also show that organizational embeddedness significantly and positively relates (step 3c, Table 3) with job satisfaction (coefficient = 0.429,  $p < 0.01$ ), does not significantly relate with job performance and leave intention. *Therefore, H6a is supported and H6b and H6c found no support.*

For H7a, all three conditions are satisfied owing to the support of H2, H3a and H4a and the regression coefficient LMX drops from 0.547 to 0.324 in the presence of the mediator but remains significant (steps 2c and 3c, Table 3), which shows partial mediation of organizational embeddedness between LMX and job satisfaction; therefore, *H7a is supported.*

For H7b, the first condition is the same as that of H7a, and satisfied; the second and third conditions are not satisfied, i.e., organizational embeddedness does not mediate the relationship of LMX and job performance. Therefore, *H7b is not supported.*

For H7c, the first condition is same as that of H7a; the second is satisfied (step 2e, Table 4) but the third condition is not satisfied (step 3e, Table 4). All conditions are not satisfied; therefore, organizational embeddedness does not mediate the relationship between LMX and leave intention thereby *rejecting H7c.*

## Discussion and Implication

The results may be discussed in three groups. *First*, full support for LMX as a predictor of perceived organizational support, organizational embeddedness, job satisfaction and leave intention was found. The results are in line with previous research (Cogliser et al., 2009; Harris et al., 2011; Kim et al., 2010; Sluss, Klimchak, & Holmes, 2008). However, no support is found for LMX as predictor of job performance.

LMX and perceived organizational support both have their foundation in social exchange theory (Eisenberger et al., 1986; Graen & Uhl-Bien, 1995). Organizational treatment, resource allocation, policies, rewards and favorable job conditions contribute to perceived organizational support (Rhoades & Eisenberger, 2002). In an organization setting, a supervisor has an extent of control over these factors and provides favorable treatment to the ingroup members. The personification forces the employee to consider the supervisor's treatment as that of the organization (Eisenberger et al., 1986). Therefore, LMX contributes in perceived organizational support.

Moreover, in a high-quality LMX relationship, the supervisor potentially introduces key individuals of the organization to an employee that increases the subordinates' social networks (link) (Wayne et al., 1997). Further, a rational and interdependent social exchange relationship strengthens connections and agreement between supervisor and employee and weakens the ease for breaking these connections (sacrifice). Therefore, in particular, LMX is likely to increase the organizational embeddedness.

In the presence of high quality, LMX turns from formal into emotional and creates affection, which probably brings job satisfaction. High-quality LMX increases influence of both parties on each other, thus supervisor has the potential to normalize the negative attitudes of employee and so can lessen leave intention.

One reason for LMX not predicting job performance may be because employees are generally more obedient in high-power distance culture (Lam et al., 2012) and therefore low-quality LMX employee also performs well. Previous research also reported that some LMX outcomes are unique in Asian context (Daniels & Greguras, 2014). Further, employee perceptions of LMX quality may differ from leader perception and overestimation of employee perception about the relationship results in lower job performance (Cogliser et al., 2009). Previous researches also reported that difference in sources for measurement of LMX and job performance narrows down the salience of commonly reported positive relationships of LMX and job performance (Dienesch & Liden, 1986).

*Second*, there exists direct and mediating influence of perceived organizational support toward generation of job satisfaction, while no support for direct and mediating role for job performance and leave intention was found. The majority of our results are in line with previous research (Riggle et al., 2009). Perceived organizational support is originally assumed to be related with psychological and behavioral variables (Eisenberger et al., 1986) and influence employee general affection and thus has potential to bring job satisfaction. A high-quality LMX relationship is one source of perception about organization support and brings perceived organizational support, which relates with employee affection and thus, in return, brings job satisfaction.

No support for perceived organizational support as a predictor of job performance was found. The predictive role of perceived organizational support for job performance is commonly found in organizational studies. One possible reason for this is managers' rating of employee performance nested around satisfied, which also hinders the mediating role of perceived organizational support. Moreover, the study found no support for perceived organizational support as a predictor of leave intention. Although a number of studies show negative relationship of perceived organizational support with leave intention and some other employee outcomes, on the other hand the differential relationship of LMX and perceived organizational support with employee outcomes is also reported (Wayne et al., 1997). The direct relationship of perceived organizational support and leave intention is not supported, which serves as an obstacle for a mediating role.

*Last*, direct and mediating influence of organizational embeddedness toward generation of job satisfaction was found, while there is no support for a direct and mediating role for job performance and leave intention. Organizational embeddedness in organization increases when an employee is more comfortable in the working environment and has connection with others, which has the potential to increase affection and thus brings job satisfaction. A high-quality LMX relationship embeds employees within an organization by introducing

key persons to employees and by providing a comfortable work environment, which, in return, fosters affection and thus brings job satisfaction.

No support for organizational embeddedness as a predictor of job performance was found. Commonly positive relationship between organizational embeddedness and job performance is reported but average rating tendency for employees' performance not only serves as a hindrance for alignment of the current result with previous studies, but also limits the mediating role of organizational embeddedness. Moreover, the study finds no support for organizational embeddedness as a predictor of leave intention. Organizational embeddedness initially developed to measure the leave intention and found support in a number of studies, but in some contextual studies organizational embeddedness fails to predict leave intention over and above traditional models (Harman et al., 2009). The direct relationship of organizational embeddedness and leave intention serves as an obstacle for the mediating role.

## Research Implications

Research on LMX and employee outcomes spread over years. Direct effects of LMX on employee outcomes are important but studies in Asian context are limited. This study enhances knowledge about LMX and its outcomes by confirming that a high-quality exchange relationship brings job satisfaction, perceived organizational support, organizational embeddedness and decreases leave intention. Results for job performance deviate from the majority of studies. The difference in results may be due to high-power distance culture, differential perception of supervisor and employee about LMX quality, and supervisors' tendency of average grading for employee performance.

Responding to the calls for analyzing intervening mechanism between LMX-outcomes relationship (Gerstner & Day, 1997), our study adds to the general body of knowledge by confirming that LMX brings perceived organizational support and organizational embeddedness, which, in turn, brings job satisfaction. Moreover, the study increases knowledge on perceived organizational support and organizational embeddedness by confirming both these constructs bring job satisfaction.

The results are important for organizational decision makers. Organizations should focus on supervisor exchange relationship/treatment with employees, specifically poor LMX. This is necessary to ensure organizational support for their employees and that employees become more embedded within the organization as it provides help in creation of an emotional bond. Training, providing social exchange context (gathering on

lunch or tea break), may serve as possible solutions to an underlying problem. Further, training regarding appraisals for reward (salary increase, promotion) is important as it can alter the nature of relationships (high-low and low-high), which, in turn, affect organization-related outcomes, particularly affective attitude (job satisfaction, perceived organizational support) and embeddedness of employees within the organization. Moreover, internal transfer could help in altering low-quality LMX.

## Limitations and Directions

Despite the noteworthy contribution, this study faces some limitation. Firstly, LMX quality was measured only from employees instead of both parties. In future, LMX quality's measurement from both parties can increase understanding of LMX-outcome relationship. Moreover, the self-report data with no time lag may have been a potential source of method biases. Secondly, leave intention is measured as a proxy of turnover; in future, LMX impact on actual turnover should be investigated. Thirdly, sampling from a private bank limits the generalizability for other sectors; replications in different work context may be conducted. Finally, the cross-sectional design provides limited conformity of cause and effect relationship, which can be replaced with a longitudinal design; future studies may utilize time lag data. The future designs should model explicitly examination of social exchange theory for rising organizational embeddedness through LMX. The exchange relationship and their effect may be examined beyond dyad to hierarchical and co-worker relationships. Other individual and group-level variables such as deviance, contextual performance and team performance as outcomes may also be examined.

## Conclusion

LMX has direct impacts on employees' perception of organizational support, embeddedness, job satisfaction and leave intention. LMX also indirectly translates into job satisfaction via perceived organizational support and organizational embeddedness through social exchange mechanisms. However, in the Asian context LMX may not be helpful in generating task performance. These results are important because LMX literature calls for investigation of LMX-outcome relationship in an Asian context to enhance our understanding of LMX conversion into attitudinal and behavioral outcomes.

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# Empathetic Leadership as an Alternative Paradigm for Responsible Supply Chain Management

Maria Lai-Ling Lam

## Introduction

This chapter is based on the reflection from the past 14 years' studies of my ongoing research work about corporate social responsibility (CSR) of foreign multinational enterprises in China and leadership development (Lam et al., 2010; Lam, 2000, 2002, 2004, 2005, 2006, 2007, 2008, 2009a, 2009b, 2010a, 2010b, 2010c, 2011a, 2011b, 2011c, 2011d, 2012a, 2012b, 2012c, 2012d, 2013a, 2013b, 2013c, 2014). I advocate the importance of using empathy, embedded in the principles of care and justice, as a paradigm to elaborate how leaders allocate scarce resources for responsible supply chain management which is defined as 'the management of environmental, social and economic impacts, and the encouragement of good governance practices, throughout the life cycle of goods and services' (United Nations Global Compact, 2010). In this chapter, empathy is defined as a process to consider a particular perspective of another person, to feel as another person feels, and to take action for the needs of that other person (Lam, 2014). It is related to concern, perspective taking, and action. Empathy is our innate ability and can be developed to promote altruistic behavior (Batson, 2011). Empathetic arousal is universal among human beings. Empathy, embedded in the principles of care and

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justice, has been validated to promote the better common good (Hoffman, 2000). Many studies have already affirmed the importance of empathy in leadership and the essence of empathy in transformation leadership (Day et al., 2014; Terrasi, 2015; Uhl-Bien, 2006; Vaill, 2007; Weinberger, 2009). Holt and Marques (2012) both request to emphasize empathy in the leadership education and development after they found that their undergraduate and graduate students ranked empathy as the least important attribute of leadership.

When I presented the idea of empathy in many international management conferences during the past 10 years (2006–2015), many audiences questioned the possibility of practicing empathy in a highly competitive market. When I taught 288 undergraduates about CSR in Hong Kong and wanted to shape their vision to be responsible leaders, many students were very skeptical or cynical about the practices of responsible supply chain management. I gradually discovered that it was ironic to expect responsible supply chain management in a worldview that is constructed by an operational efficiency paradigm. The leaders can easily be tempted to distance themselves from other stakeholders by using outsourcing or third parties to achieve low-cost and efficiency objectives without being responsible for the social and environmental problems created by the outsourcing partners or third parties. They do not need to reexamine their management of the third parties creating these problems. They can easily rationalize their choices at the expense of third parties or insignificant stakeholders for the greater operational efficiency and earn good reputations of implementing responsible supply chain management. I gradually become aware of the need to nurture my students to be empathetic leaders with the principles of justice and care when these students want to develop common good for the entire supply chain. Empathy without justice can easily direct students to choose alternatives that arouse most empathetic emotions or favor those people with whom they are familiar. Students are required to practice empathy in the relationships with stakeholders in the supply chain management for greater social, environmental, and economic returns. A new paradigm grounded on empathetic leadership, embedded in a culture of justice and care, should be used to empower business students and executives to develop trusting relationships with suppliers if responsible supply chain management is possible. In this chapter, I will describe two case studies and elaborate on how empathetic leadership, embedded in a culture of justice and care, arises through interactions and negotiations of social order among channel members and establishes norms and expectations that serve as guidelines for responsible supply chain management. The author will use these two cases

to illustrate how these companies use empathetic leadership, embedded in a culture of justice and care, as an acceptable alternative paradigm for responsible supply chain management. The chapter progresses with five sections: the literature review is informative, the methodology is my ongoing approach, two exemplars' sections describe the practices of two companies' empathetic leadership, and finalizes with the discussion and implications.

## Literature Review

### Empathy in Leadership

Leadership is regarded as a social influence process and then the social order and changes are constructed and produced (Uhl-Bien, 2006; Vaill, 2007). How does empathy in relationships foster collaboration, structure, and effective leadership? Empathy is defined as 'the ability to comprehend another's feelings and to re-experience them oneself' (Salovey & Mayer, 1990, pp. 194–195) and also 'refers to one's ability to understand the feelings transmitted through verbal and nonverbal messages, to provide emotional support to people when needed, and to understand the links between others' emotions and behavior' (Polychroniou, 2009, p. 345). Many scholars also define empathy in similar ways (Devay, 2010; Terassi, 2015). I define empathy as a process to consider a particular perspective of another person, to feel as another person feels, and to take action for the needs of that other person (Lam, 2014). It is related to concern, perspective taking, and action. Thus, empathy is defined as love in action. Demonstrating empathy needs emotional intelligence, high self-awareness, and moral imagination in the process of building positive relationships and emotional bonding.

Batson (2011) elaborated just on other-oriented empathy related to seeking welfare for the other partner. He validated the existence of direct relationships between empathetic concerns and altruism after 30 years of study about the hypothesis between empathy and altruism in more than 300 experiment studies. Empathetic concern is defined as 'other-oriented emotion elicited by and congruent with the perceived welfare of someone in need' (p. 11). The empathy-induced altruism is other-oriented emotion and involves feeling for others. Only other-oriented emotion can generate the motives for other people's welfare. His 30 years of research suggest that 'empathetic concern reflects an extension of value to include an interest in the welfare of the other, distinct from oneself, that is beyond self-interest' (pp. 159–160). The two

key antecedents of empathetic concerns are ‘perceiving the other as in need and valuing the other’s welfare’ (p. 44) Negative attitude toward another party and frequent interactions will reduce empathetic concerns.

Empathetic concern is universal and drives for justice and social morality. In Hoffman’s 35 years of study of empathy and moral development (2000), he suggests ‘empathy may lay claim to being a universal prosocial moral motive, at least in societies that place high value on caring and justice’ (p. 273). ‘Thus, empathy may not make a structural contribution to justice, it may provide the motive to rectify violations of justice to others’ (p. 228). Empathy, embedded in the principles of care and justice, can overcome the negative consequences of empathetic arousal and empathetic bias to people whom they know. Empathetic morality exists but can easily be destroyed when people are highly obsessed with egoistic motives. Sadly, empathetic morality ‘can be destroyed by power assertive childrearing, diminished by cultural valuing of competition over helping others, and overwhelmed by egoistic motives within the individual that are powerful enough to override it’ (p. 282). Thus, the universal existence of prosocial motive generated by empathy can easily be diminished when the egoistic desire is glorified in a highly competitive global market.

Empathy is regarded as innate and learned capacity for human beings to develop trusting and collaborative relationships (Dutton, 2003; Dutton, et al., 2006; Ehrenfeld, 2008; Eshelman, et al., 2012; Mahsud et al., 2010; Pruzan, 2008; Vaill, 2007, 1996, 1989; Young, 2004). Empathy is essential for effective leadership (Ashkanasy et al., 2002; Choi, 2006; Ciulla, 2010; Goleman et al., 2002; Holt & Marques, 2012; Kellet et al., 2006; Mahsud et al., 2010; Marques, 2013; McColl-Kennedy & Anderson, 2002; Miller, 2009; Weinberg, 2009; Walumbwa et al., 2010; Wolff et al., 2002). Followers perceive individuals as effective leaders when these leaderships can demonstrate empathy. Kellet et al. (2006) said:

We believe that behavior that conveys empathy and other emotional abilities cues a leadership prototype in the minds of observers.... Growing evidence suggests that we will respond to others as leaders if their displays of empathy first make us feel understood and valued as individuals (p. 150).

Empathetic communication is a major contributor among stakeholders in the area of research about CSR (Lyon, 2004; Mirvis & Googins, 2006; Laszlo, 2008; Wood & Kaufman, 2007; Zadek, 2004). The leaders need to show their care to multiple stakeholders coming from different economic, social and political interests and power in the responsible supply chain

management. Empathy in leadership relies on active listening and a secure space for the practice of vulnerability in collaboration (Cook et al., 2013; Eshelman et al., 2012; Vaill, 2007). 'As managers hone their empathy skills through listening, perspective taking, and compassion, they are improving their leadership effectiveness and increasing the chances of success in the job' (Gentry et al., 2007).

## Responsible Supply Chain Management

The well-accepted paradigm in the global supply chain management is to minimize cost, maximize delivery performance, and maximize volume flexibility and responsiveness (Pcw, 2013). Many scholars and researchers have demanded more attention to suppliers' labor policies and especially 'Justice' in the supply chain management (Beji-Becher et al., 2008; Bernstein & Greenwald, 2009; Boyd et al., 2007; Drake & Schalachter, 2007; Laczniak & Murphy, 2008; New, 1997; Philipp, 2009; Seuring & Muller, 2008). It seems that the well-adopted low-cost operational efficiency paradigm is an oxymoron to the concept of responsible supply chain management.

Many foreign multinational enterprises (MNEs) in China, which design products or services, have strong customers' brand loyalties, or have strong power in the global supply chain, and are required to be responsible for social and environmental performances of their suppliers (International Labor Organizations, 2011; the Organization for Economic-Cooperation and Development (OECD) guidelines for multinational enterprise, 2010; Schepers, 2006; Seuring & Muller, 2008; United Nations Global Compact, 2010). These leading multinational enterprises are called to lead the entire supply chain to be responsive to economic, social, and environmental needs of all suppliers in the entire supply chain. These guidelines are mainly targeted at large corporations and request these corporations to be responsible for the social and environmental performances of their small- and medium-sized suppliers from developing countries. If these large corporations choose not to comply, they will be shamed by the media and bear the consequences of losing their reputations. Many leading MNEs have used evasive compliance mechanisms (i.e., monitoring, evaluating, reporting, and sanctioning) over Chinese suppliers (Lam, 2012a) and even tempted to use and abuse international code of conduct in the responsible supply chain to mask their labor and environmental abusive programs (Abdul-Gafaru, 2009; Ellram et al., 2008; Gugler & Shi, 2009; Harney, 2008;

Murdoch & Gould, 2004; Lam, 2007, 2009a; Lund-Thomsen, 2008; New, 1997; Rondinelli, 2006; SACOM, 2010; Stiglitz, 2006; Sum & Ngai, 2005; Tate et al., 2009; Visser, 2008).

Even though there are many international and industrial guidelines about responsible supply chain management in electronic and apparel industries, there are still many labor-abusive cases when there are diversified and fragmented suppliers and buyers in the global supply chain (Roberts, 2003). These powerful buyers may publish many socially responsible suppliers' practices in China. However, there is lack of internal alignments between the commercial and social responsible objectives in the supply chain management (Lam, 2007; 2009a). Many small- and medium-sized enterprises from developing countries have perceived corporate responsibility as an extension of supply chain bullying by these larger MNEs (Blowfield & Murray, 2011, p. 267). The low-cost operational efficiency paradigm is found to be related to the barriers of responsible supply chain management in China (Lam, 2012a, 2014).

There were five major obstacles to practicing responsible supply chain management in China: seeking low cost and production efficiency; lacking internal alignments between the commercial and responsible supply chain objectives; lacking incentives to practice procedural justice; bypassing many social and environmental responsibilities at low cost; and using evasive compliance-oriented mechanism over Chinese suppliers (Lam, 2014). Only a few companies exemplified a responsible supply chain management and did not conform to the institutional norms by being seriously committed to their CSR programs, connected with their labors, and consistently practiced their values (Lam, 2011b, 2011c). They cared about the insignificant members and developed their capacity of these members to be accountable to them through empathetic communication (Lam, 2014). They have invested extensive time and resources in helping the partners to perform beneficially for the entire supply chain (Drake & Schalachter, 2007; Tate et al., 2009). Crane and Matten (2010) described these firms to

have continued to increasingly move away from traditional adversarial relationships with suppliers (based upon short-term, transactional arrangements with large number of supply firms) towards more partnership-based approaches that emphasize long-term relationships with core supply firms based upon mutual trust and collaboration (p. 393).

These firms are willing to bear an extended chain of responsibility and use their capacity to strengthen the social, environmental, and economic

performance of their suppliers. Thus, firms with vision have already tried to move from short-term transaction relationships to long-term partnership relationships. They have to cultivate trusting relationships by practicing empathetic communication with their suppliers and not to abuse their power to bully their small- and medium-sized suppliers for their own short-term interest. Empathetic communication has been verified to be essential for long-term partnership relationships in the supply chain management (Wood & Kaufman, 2007). Thus, practicing empathy in the organizational relationships have already been advocated and endorsed by a few companies that really want to seek long-term social, environmental, and economic returns in the supply chain management.

## Research Methodology

I used the induction method and summarized my 10 years of field work in China (2006–2016). I used the process model of organizational sense-making explaining how Chinese managers, who are working for foreign multinational enterprises in China, think, discuss, and act with their key stakeholders and the world (Basu & Palazzo, 2008). I interviewed 30 Chinese executives from 20 different foreign multinational enterprises which are classified as global corporate citizens (Logdson & Wood, 2005). The background of the interviewees was numerated: 15 CSR officers, 2 senior-level sales, 11 sales and marketing managers, and 2 software developers. The data for the perception of these Chinese executives about their corporations' CSR practices were collected through semi-structured, in-depth personal interviews. Several interviewees were interviewed twice during this 7-year period 2006–2012. Each interview was conducted in the interviewee's native tongue and lasted from 1 to 3 hours. The interview instrument included four major parts: personal experiences, internal organization practices, impact of the companies' CSR programs, and the expectations and recommended changes in their companies' CSR programs. I also validated the data and my interpretations by reading the relevant third-party sources and getting feedback from different professional communities in the USA, France, Japan, and China (Huberman & Miles, 1984; Glaser & Strauss, 1967). I conducted the research in 11 cities in China: Beijing (2006, 2008, 2009, 2010); Dalian (2006), Shanghai (2006, 2007, 2010); Hangzhou (2007, 2010); Guangdong (2011), Tianjin (2009), Qingdao (2007), Nanjing (2007), Chongqing (2006, 2007, 2009), Wuhan (2012, 2013), and Hong Kong (2006–2016).

## Two Exemplars

Only 2 out of 20 companies demonstrated empathy in their leadership and developed collective generated realities that emphasized responsible behavior in the supply chain. The leaders cultivated trusting relationships and affective ties among employees in their own organizations and suppliers before they formalized the code of conduct in the supply chain and institutionalized the policies. These two exemplars demonstrated their empathy toward Chinese workers and selected Chinese suppliers through capacity building and ongoing training. They practiced empathy with the principles of justice and care. They selected the best suppliers who could align with their companies' social, environmental, and economical values. They chose to practice empathy and diffuse the partnership approaches in their relationships with their selected suppliers. Their responsible supply chain management in China was driven by the spirit of empathetic leaders. They were not motivated by minimizing their cost in their supply chain but increasing their vulnerability to their selected Chinese suppliers and seeking long-term profit. They practiced empathetic communication and invested many resources in their selected suppliers.

### The First Exemplar

In 2006, one Japanese multinational company's CEO got a letter from a nongovernment organization about the horrible working conditions of the Chinese workers in his subsidiaries in China. He took this opportunity to reexamine the mission of his business and refused to accept the realities of having slave workers in his factories. He wanted to treat these workers as human beings and decided to increase the investment in workers' welfare and establish two CSR offices in Tokyo, Japan, and Shenzhen, China in 2006. The CSR officer in Japan said, 'Our employees in Tokyo do not treat the workers in China as their colleagues even the Chinese subsidiaries generate 80% of sales revenue for the entire corporation.' She felt the practices in Tokyo were an injustice to the Chinese subsidiaries and workers. She had to change the attitude of Japanese workers toward Chinese workers and diligently collaborated with the Chinese CSR officer in Shenzhen. The company hired a third party to provide training services to the Chinese workers so that they could adapt to city living as many of them moved from the rural areas. These Chinese workers received diversified training in the area of public health, education, and social security through the employee assistance

programs. The Japanese CSR's care for the Chinese workers also motivated the commitment of the Chinese CSR officer to bring the voices of the Chinese workers back to the corporations. During the Sichuan earthquake disaster in 2008, the Chinese CSR officer allowed the worker to mourn and organize volunteer supporting groups. The empathy from two CSR officers also mobilized the workers to organize their empathy teams toward the victims in China.

After two years of successful experience of implementing labor programs in their Chinese subsidiaries, the two CSR officers shared their experiences of retaining workers with their existing suppliers in many forums in China and Japan. Some suppliers just followed the move of the Japanese company to China and then established very strong relationships. They were very receptive to know how to demonstrate empathy to the Chinese workers and accepted the suggestions from the CSR officers. Later, a few Chinese suppliers also learned how to adopt more humane approaches toward their workers. The interactions between the Japanese corporation and the suppliers overcame the suppliers' fear of disclosing incompetency and fostered many affective relationships. The Japanese CSR officer was often invited to speak about her company's experience in many CSR forums in Japan and China. The empathy in her leadership showed her respect toward the Chinese workers. The trusting relationships among members in the supply chain determined the code of conduct, the norms, and guidelines to govern the behavior. She used the guidelines that had been accepted by the key suppliers as the blueprints for the interpretation of industry guidelines such as Electronic Industry Code of Conduct.

After having trusting relationships with her suppliers in the supply chain through disseminating information and training, the company constructed the patterned regularity of interactions among suppliers in the responsible supply chain. The Japanese CSR officer had more faith in the code of conduct that was grounded in the shared norms and expectations among members. After establishing the code of conduct in the supply chain, the company also established human rights committees and policies that could be responsive to the needs of each country. The company also examined its progress on human rights objectives by sharing the information with its subsidiaries and suppliers through multiple channels of communication. The company earned many good reputations for the labor practices even though their competitors had encountered pervasive labor strikes and bad news of labor-abuse problems in China. During 2014, the company moved 80% of its global production to China and also transferred its experience in China to other developing countries such as Vietnam. The company also

kept on upgrading the capacity and the skills of its Chinese subsidiaries. In 2014, the company developed a center to deal with electronic waste and a local research center in China. All the institutionalized practices in the supply chain were started from the personal sensitivity of the CEO and the empathy from two CSR officers. All these three leaders have practiced empathy with the principles of justice and care. They sought long-term economic returns for their own employees and suppliers in the responsible supply chain management.

## The Second Exemplar

Another Japanese multinational company's leaders practiced empathy toward these Chinese suppliers and enhanced their capabilities of its selected Chinese suppliers in reaching higher labor and environmental standards through many face-to-face interactions and training. One Japanese buyer said:

If you ask the Chinese suppliers to assess how well they can fulfill our social and environmental objectives in the supply chain, they definitely will not be truthful because they are afraid they could not reach our high standards in our existing social responsibility programs.

He understood the fear of the Chinese suppliers and the misperception of the Chinese suppliers about the standards in CSR. He asked his boss to allocate more resources in the training and development of the selected Chinese suppliers. He refused to follow the compliance and evasive approach in China and did not want the selected suppliers to do self-assessment. He respected those selected suppliers as partners and was committed to develop long-term relationships with them by issuing a 3-year green certificate to qualified suppliers. The company provided numerous training workshops, elaborated the requirements in-depth, developed progressive objectives, and managed the performance of these suppliers through a 3-year comprehensive green certificate program. As the leader practiced empathy toward these Chinese suppliers through many consultative face-to-face interactions, the selected suppliers were motivated to continue learning and be monitored if they wanted to renew their green certificates issued by this reputable global company. The affective relationships between the company and the chosen suppliers allowed the company to practice responsible supply chain management and improve the labor and environmental practices in the entire supply

chain. The empathy in the leadership also facilitated the willingness of the suppliers to accept higher standards and to be motivated to develop better skills to earn the 3-year green certificates.

## Discussion and Implications

The first exemplar started from the moral awakening of the CEO and the moral commitment of two CSR officers toward Chinese workers. The second exemplar started from the insights of the international buyer. They both demonstrated empathy toward insignificant partners and changed the existing organizational realities about the Chinese workers and CSR in the supply chain. They all had first-hand knowledge of their Chinese suppliers and knew their fears and needs. They used the affective trusting relationships between the corporation and the suppliers to define the codes of conduct and standards. The emerging social orders allowed the establishment of higher labor and environmental standards. These standards had been tested and embraced by the companies and the suppliers in the supply chain. Thus, the empathetic relationships, embedded in a culture of justice and care, defined the structure and the voluntary regulations in the responsible supply chain management.

From the practices of two exemplars in China, I advocate empathetic leadership, embedded in a culture of justice and care, as an alternative paradigm in promoting the commitment to responsible supply chain management. Empathy, embedded in the principles of care and justice, can generate more common good in the entire supply chain. It is better to empower good small and medium enterprises to be capable partners through empathetic communication, training, and development. Empathetic leadership allows the companies, workers, and the suppliers to practice how to be responsible and have the internal alignment between commercial and responsible supply chain objectives in a highly competitive and efficient-oriented global supply chain. Empathetic leadership also allows more innovative collaborative activities and procedural justice. Empathy in leadership creates affective and trusting relationships that provide foundations for any change toward more responsible corporate behavior. Empathetic leadership, embedded in a culture of justice and care, is a social process which allows corporations to incorporate the voices of insignificant partners in the establishment of their standards that govern the behavior of members in the global supply chain. Thus, many voluntary regulations or standards can be implemented in the daily operations of members in the global supply chain as empathy, embedded in the principle of justice and care, has already been demonstrated.

The new paradigm based on empathetic leadership, embedded in a culture of justice and care, can empower managers to realize the possibilities of developing better CSR practices by reinforcing the principles of care and justice in their culture. These principles may have been articulated in their code of conduct in the published responsible supply chain management. These managers can also pay attention to how the inside and outside organizational practices suppress our universal empathetic culture toward other partners in the supply chain. Many corporations have to reexamine how the loss of empathy in their leaderships creates unethical behaviors. Empathy can be learned and should not be perceived as a sign of weakness or interference in the decision-making process. The new paradigm allows corporations to incorporate the voices of insignificant partners in the establishment of their standards that govern the behavior of stakeholders in the responsible supply chain management.

Leaders and managers need to incorporate the logic of empathy and embrace the tensions between empathy and efficiency logic. They need to develop other-oriented empathetic concerns and be congruent with the welfare of the others in their daily operations. They have to practice empathy with the principle of justice and care such that their stakeholders are empowered rather than disempowered in the current operational efficiency paradigm. They need to examine how to develop a culture that supports the new paradigm. They need to have courage not to follow the evasive institutional compliance mechanism when they advocate responsible supply chain management. They need to practice empathetic communication, incentives, and progressive goals with their suppliers and seek long-term economic, social, and environmental performance in the new paradigm. With the empathetic leadership paradigm, the leaders also address the justice issue in the supply chain. They should examine how the existing power structure perpetuates injustice to insignificant stakeholders and rationalize the bullying behavior of powerful companies upon small and medium enterprises in the supply chain management. They also learn how to include the voices of insignificant stakeholders in their designed responsible supply chain management.

The effectiveness of empathetic leadership, embedded in a culture of justice and care, will vary in different power structure in the supply chain. The social constructed meanings of empathetic leadership may vary in different social, political, and economic contexts. The expectations of followers about being respected will vary and shape the effectiveness of empathetic leadership. More research about the effect of empathetic leadership in the networks of firms in the responsible supply

chain management needs to be conducted. The leaders need to have a high-level of self-awareness and self-discipline when they demonstrate empathy for the greater common good. Empathy can be abused or manipulated by leaders for self-serving objectives. Would leaders only pay attention to those powerful stakeholders with urgent claims and ignore the legitimate claim of insignificant stakeholders? How can empathetic leaders on the journey toward responsible supply chain management increase the quality of relationships among members? What new norms, values, and social orders will be emerged through empathetic communication? How does the new lens of viewing responsible supply chain management, based on empathetic leadership, create new perspectives about organization learning among members? The new paradigm based on empathetic leadership, embedded in a culture of justice and care, may allow more leaders to treasure the process and wisdom generated in the positive affective relationships before they are driven to achieve higher social and environmental standards in the responsible supply chain management.

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# Part V

## Symbolic Leadership

# Symbolic Leadership in a Transnational Context: An Investigation on Leaders' Adjustment and Acceptance

Christian Linder

## Introduction

International assignments are often essential to a company's overall international strategy, but are also likely to fail. The high failure rates are reported to range from 4% to 40% (Black, Mendenhall, & Oddou, 1991), to even an immensely high 70% (Shay & Bruce, 1997). Expatriates' turnover is a sensitive issue because it produces cost not only if the strategic goals are not reached, but also because the cost of sending managers abroad is very high for both the sending organisation and the individual expatriate (Nowak & Linder, 2016). One important reason why many expatriates quit their engagement, which eventually explains the associated high failure rates, is the expatriate manager's struggle with being not accepted as leader by the host country's workforce. Accordingly, there is a consensus among academics that a significant percentage of the expatriates' failure is due to a lack of understanding of the given cultural conditions in the host country. Thus, there have been many studies that investigate the relationships between cultural values and leadership styles in cross-cultural management (e.g. Shaheena, 2003; Tayeb, 1995). It is known that the heterogeneity between different cultures has a strong impact on the efficiency of a given leadership style (House, Javidan, Hanges, & Dorfman, 2002). Management work ethics, job satisfaction, intrinsic motivation, and so

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on, are all related to culture, and, at the same time, these factors determine the way leaders get judged from the host country workforce.

Against this background, this chapter points out the value of and the leadership's role in creating meaning. It is argued that, if symbolic actions create meaning, as it is one important tool to lead people, it is essential that leaders give concern to how their symbolic interactions are interpreted or comprehended by their followers. Meaning is always reconstructed based on experience, culture, and generally accepted and practised values. Therefore, the relevance of symbolic interaction is even higher when the leader and follower do not share the same cultural background. Consequently, effective leadership depends not only on implanting adequate management processes, structures, or technical abilities, but also on how the supervisor's actions are interpreted by subordinates (Lord & Maher, 1991). This chapter analyses the leadership adjustment of expatriate managers in the Philippines with the goal of investigating the effects of cultural adjusted leadership styles on their acceptance. In particular, the impact on Filipino culture on German expatriates is used as a case study to test a set of hypotheses. Thereby, this chapter contributes to cross-cultural leadership by taking an alternative perspective in respect to the mainstream research approaches. It is demonstrated that a leader's actions are symbolic or dependent on the meaning incorporated in symbolic actions and, thus, subject to interpretation by followers. Consequently, it is the symbolic reconstruction of a leader's action by the host country workforce which decides whether a leadership style is suitable or not.

## Theory and Literature Review

If effective leadership depends on cultural circumstances, the evaluation whether or not a given leadership style is appropriate cannot be determined without investigating the local workforce. Therefore, this section first provides an overview about leading in the Philippines from the perspective of German expatriates. Then, the adjustment process and the theory of symbolic leadership is presented.

### Leading in the Philippines

Having a high cultural distance to the Filipino culture (Hofstede, 2005; House, Javidan, Hanges, & Dorfman, 2002), German expatriates face multiple differences in the Philippines. Major aspects are the rush and the

crowdedness of the Philippines' cities and the relevance of family and religion, not only in everyday life, but also in the workplace. Another important issue is the hierarchy and the distance between top-level management and lower-level employees. From the point of view of cultural distance, the experience of German managers in the Philippines can be explained by the difference in the attitude of the culture towards inequalities among members in the particular culture. For instance, the Philippines has nearly the highest value worldwide (94) on Hofstede's (2005) power distance scale, while Germany lies at the lower end (35). Further, the Philippines is characterised by various authors as a collective society which tends to belong to in-groups, like family, rather than individualistic societies that tend more towards looking after themselves (Guthrie, 1968; Hollnsteiner, 1970). The Philippines' collective identity is often described as being coined by 'Smooth Interpersonal Relations' (SIR). Guthrie (1968, p. 2) describes this as 'being agreeable with others, even under trying circumstances, the Filipino grants a measure of social acceptance to those he deals with, and in the very display of courtesy himself gains or enhances his acceptance as a good member of society'. SIR is deeply rooted in Philippines history. De Leon (1987) points out four dimensions which are seen as the source for this collective identity that have no equivalent in other cultures. However, the collective identity of the Philippines can be reproduced in terms of cultural dimensions. Here, the Philippines differs significantly according to collectivism/individualism (67 value for the Philippines, 32 value for Germany; Hofstede, 2005). In addition, German expatriates in the Philippines face a situation where, in general, the thrift and effort to shape the future is less pronounced than they are used to in their home country, while tradition and maintaining values play a more important role. Andres (1985) describes this rootedness as affecting change in strategy and as core elements in business life. According to Hofstede's (2005) pragmatism dimension, German expatriates come from a cultural background that scores very high with 83, which indicates a strong concern for the future, while the Philippines scores relatively low with 27, which, on the contrary, underlines the role of tradition.

Hence, the sense of working in a culturally novel environment requires an adjustment which amplifies with the perception of the size of the cultural distance (Ang et al., 2007). This is due to the fact that greater cultural distance calls for greater cross-cultural motivation. Chen et al. (2010) argue that more cross-culturally motivated expatriates are likely to react by working harder to overcome cultural challenges, for example, by adapting their leadership style to fit local cultural norms. Taking these points together raises the question about the mechanism behind the adjustment process to the foreign cultural environment.

## The Adjustment Process

Theories addressing the cross-cultural adjustment of expatriate behaviour seek to explain why and how people modify their leadership style when taking leadership responsibility within a new cultural environment (Haslberger, 2005; Selmer, 2007). The adjustment process is seen as embedded in structures of meaning, which, in turn, are influenced by interpretative schemes (Festing & Maletzky, 2010). Given the fact that, by definition, expatriates and the host country workforce do not share the same cultural background, adjustment is seen as a process where both parties influence each other by modifying interpretation and behavioural patterns in order to harmonise interactions with their counterparts (Kossek, Huang, Piszczek, Fleenor, & Ruderman, 2015; Zimmermann & Sparrow, 2007).

I argue here that expatriates adapt their leadership style to a new culture by anticipating which particular behaviour will get rewarded or sanctioned by the foreign workforce (Heckathorn, 1990). Such rewards serve as an indicator for the degree of accepted or unaccepted behaviour. The underlying mechanism for this adjustment is rooted in the desire of humans to be accepted by others (Kraimer, Wayne, & Jaworski, 2001). Cross-cultural adjustment is seen as the reaction of an individual in response to the degree of acceptance by others in order to increase this particular degree (Festing & Maletzky, 2010). Based on this desire to be accepted, I theorise that expatriates attempt to adjust their leadership, either implicitly or explicitly.

## Meaning and Symbolic Leadership

To shed light on the adjustment process, the symbolic leadership theory provides a useful framework that captures interaction on multiple levels. Commonly, symbolic leadership is defined as 'leadership which refers to, and is based on, the category of meaning' (Winkler, 2010, p. 59). Symbolic leadership is a collective term, which combines concepts that are guided by the idea that reality only becomes tangible and experienceable through symbols. Applied to organisations, the concept of symbolic interactions assumes that business reality is created and then lived by the employees of a company. Reality, for this reason, has to be understood as a social construct in which leadership is only one part of the reality (Bartoelke, 1987). Neuberger (1995) presented an approach where symbolic leadership is defined as an action that makes meaning tangible. He introduced a concept of symbolic leadership consisting of two main

elements, the first one being called 'Symbolised Leadership' and the second one 'Symbolising Leadership'. His approach builds the theoretical frame for further argumentation.

*Symbolised Leadership* emphasises the idea that leadership always follows a certain purpose. Therefore, it is functionalistic oriented since leadership is used as a means to a predefined end (Morgan, Frost, & Pandy, 1983). In such approaches, leaders take a more passive or interpretative role. They use already existing and available symbols to make their position toward a problem, an idea, a vision, or strategy comprehensible by translating the intention behind it into intelligible symbols. Such symbols are, for instance, the place on the meeting table to express who leads, or the routines behind who is allowed questions on an issue and who has to answer. From this aspect, Neuberger (1995) highlights that an organisation is a 'system of shared meanings' and leadership has to be performed in a way that fits the values incorporated into this particular system. So, all action always happens surrounded by a large number of past symbols, which have become an inherent part of the organisational system. Such symbols emerged throughout past stabilised behaviour and are manifested in rules, structures, language, artefacts, logos, and so on. *Symbolising Leadership* emphasises that organisational symbolism is an interpretative approach that permanently creates or reproduces its own symbols; thus, leading is symbolising itself. For instance, the way a leader appreciates a specific behaviour is individual but if the workforce has learned the used symbols, the symbols alone can stand for appreciation. This aspect is not analysed in the study at hand. The symbolic approach to leadership has some elementary differences to other, especially one-dimensional or instrumentalistic, leadership approaches. First of all, leading always is symbolising since even 'not-leading' carries an inherent symbolism. Hence, the use of symbolic leadership as a tool is difficult or impossible because leader behaviour cannot be seen as an objective fact, but is subject to individual or subjective interpretation by the followers.

## **Cultural Distance and Leadership Style Adjustment**

Given this prior argumentation, the leader's intention is the centre of interest and not the actual understanding or decoding of symbols by the host country workforce. The adjustment of leadership behaviour is conceptualised according to the previous discussion of the concept of

‘Symbolised Leadership’. In this respect, the use of certain symbols is a means to a predefined end. Here, the leader uses existing symbols to make his position comprehensible by describing their intention in a metaphorical way. Researchers commonly refer to a three-step symbolism typology that consists of the three elements ‘verbal’, ‘enacted’, and ‘material’ symbols (Armenakis et al., 1996; Dandridge, Mitroff, & Joyce, 1980; Neuberger, 1995). Language uses metaphors to make social reality comprehensible. Therefore, language can appear as the spoken or written word. How to choose words, to give examples, and to illustrate explanations requires the application of meaningful symbols (Pondy, 1978). Further, leaders have different means to enforce their leadership claim. The dimensions of democratic versus autocratic (or participative versus directive) leadership (Eagly, Makhijani, & Klonsky, 1992) are manifestations of a leadership style that uses different kinds of symbols to make the leadership claim to followers. To be, for example, a democratic leader goes hand-in-hand with the utilisation of symbols that express the willingness to take the opinions of followers into account when making a decision. To make such a disposition comprehensible requires that the symbols carrying this meaning encounter the same understanding. Finally, it is asked how do leaders change the artefacts with which they surround themselves; for example, how they dress (Fairholm & Fairholm, 2009) or how they use technical devices (e.g. smartphones, tablet computer, etc.) that serve as symbols (Katz & Sugiyama, 2005). Accordingly, the following three hypotheses are derived:

- H1: The level of perceived cultural distance positively determines the degree of willingness to make verbal symbolic leadership comprehensible.
- H2: The level of perceived cultural distance positively determines the degree of willingness to make enacted symbolic leadership comprehensible.
- H3: The level of perceived cultural distance positively determines the degree of willingness to make material symbolic leadership comprehensible

The precise operationalisation of the culture and leadership construct asks for different sets of symbols. Since the Philippines’ culture emphasises a higher relative importance of collectivism, a leader who adjusts his leadership style according to this is likely to symbolise the readiness to serve the collective with a self-conception as ‘*primus inter pares*’ (Dierendonck, 2011).

Contrarily, it is likely that he underplays the appearance as the dominant decision maker. Accordingly, the idea of the operationalisation of symbolic leadership is not to measure which symbols expatriates use in particular, but to evaluate the willingness to adjust the use of symbolic actions due to the experienced cultural distance in the host country. Based on these considerations, it can be assumed that the willingness to adjust the symbolic leadership to the cultural environment leads to an increased understanding by the foreign workforce. This, in turn, gives the followers the opportunity to comprehend the expatriate's behaviour.

According to the aforementioned adjustment process of symbolic leadership to the local habits, it accelerates the probability that the host country workforce understands the goals, ideals, ideas, vision, and so on, of the leader. This, in return, reduces confusion and the associated social sanctions. In turn, if symbols are used in a way that allow the followers to reconstruct the intention of the leader, employees get a sense of the direction and the reason why the leader behaves in a given way (Kelly & Bredeson, 1991). Such understanding by the staff body is central to creating motivation, approval, and eventually being accepted as a leader. This argumentation leads to the following hypothesis. Figure 1 shows the final research model.

H4: A high degree of willingness to make (a) verbal, (b) enacted, and/or (c) material symbolic leadership comprehensible positively determines the acceptance as leader.

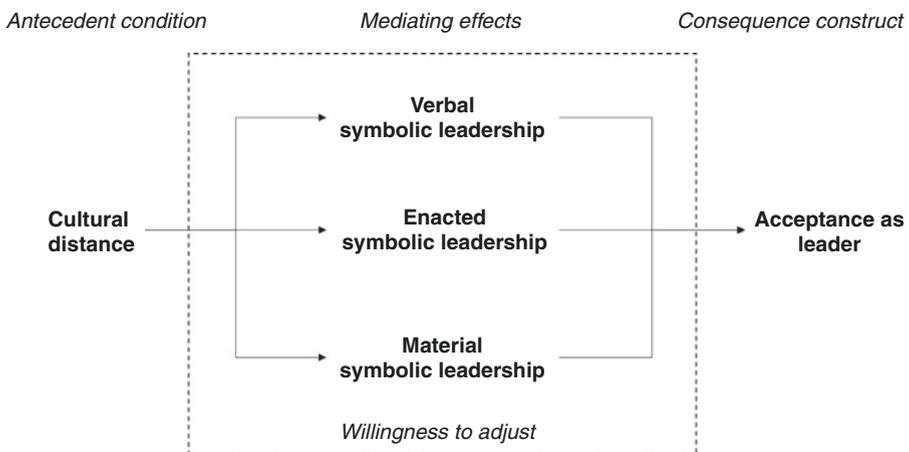


Fig. 1 Research model

## Research Methodology

### Data Collection and Sample

A qualitative as well as a quantitative approach was applied to evaluate the research model. The qualitative data were collected with two survey waves via personal on-site interviews in Manila (the Philippines). The intention was to evaluate the research model as well as the construct of operationalisation. Therefore, content validity was evaluated using expert validity and internal relevance as the measure. The interviews followed the suggestion by Seale (2007) for qualitative interviews. The first wave involved three expert interviews with the goal of identifying the principal correctness of the model. The second wave included 15 expert interviews in order to check content validity.

The sample for the quantitative analysis was drawn from 'European Chamber of Commerce of the Philippines', the 'German-Philippine Chamber of Commerce and Industry' and 'Multinational Companies in the Philippines Yearbook', and was contacted via the Internet. In total, 1,654 expatriates were invited to participate, finally resulting in 197 usable questionnaires (11.9% return rate). The sample mainly consisted of males (92.4%). The average age of 45.8 years was relatively high, which may be explained by scale effects and the fact that 11 participants were over 60 years old. The majority (116, representing 58.9%) of all expatriates were between 31 and 45 years old.

### Measures

Partial least squares, a causal-predictive analysis, was applied to test the proposed hypotheses (Bollen, 1989). Five latent constructs were used, which were all measured with a seven-point Likert-scale anchored by '1' (completely disagree) and '7' (completely agree). The Appendix shows the items. To describe *cultural distance*, Hofstede's (2005) five bipolar dimensions are widely used in similar studies. In this study, it was measured by applying the scale provided by Shenkar (2012). *Verbal symbolic leadership* was conceptualised in reference to Armenakis et al.'s (1996) distinctions. Expatriates were asked: first, to what extent they adjusted their language to clarify their point; second, if they were more mindful in choosing words; third, if they tried to apply foreign phrases; and fourth, if they chose metaphors they heard from their host country workforce. *Enacted symbolic leadership* draws on the distinction of

symbolic leadership by Dandridge et al. (1980). Expatriates were asked to what extent they changed behavioural aspects. In particular, interviewees indicated: first, whether they underplayed dominance; second, if they more carefully made sure that they backed up words with actions; third, how sensible they were regarding the reaction to their behaviour by their host country workforce; and fourth, to which extent they discussed their behaviour as leader with other peers. *Material symbolic leadership* was evaluated by investigating the use of material objects with which a leader surrounds himself (Katz & Sugiyama, 2005). Expatriates indicated how carefully they chose technical devices (e.g. smartphones), status symbols (watches), clothes (high-end brands, which are hardly affordable for their staff) and artefacts (e.g. office equipment). *Acceptance as leader*, finally, was conceptualised as a subjective evaluation of a leader regarding his satisfaction with the respect from their workforce, the recognition as leader, the acceptance as leader, and the way the workforce responded to his vision (House et al., 2002).

## Findings

The measurement model allowed researchers to evaluate the explanatory power of the entire model as well as the predictive power of the independent variables. Therefore, the factor loadings have been assessed as the measurement model showed sufficient values. In addition, both the composite reliability and the average variance extracted scores which clearly exceeded the recommended threshold. Cronbach's  $\alpha$  showed that sufficient inner consistency was obtained. This was fulfilled for all constructs. Table 1 shows the main effects.

**Table 1** Main effects

Antecedent	Consequence	Direct effects		Hypothesis
		Beta	SE	
Cultural distance	Verbal symbolic leadership	0.41**	0.04	Accepted
Cultural distance	Enacted symbolic leadership	0.37*	0.04	Accepted
Cultural distance	Material symbolic leadership	0.52**	0.05	Accepted
Verbal symbolic leadership	Acceptance	0.19*	0.04	Rejected
Enacted symbolic leadership	Acceptance	0.49**	0.02	Accepted
Material symbolic leadership	Acceptance	0.07 ns	0.05	Rejected

Note: Beta values 0.02, 0.15, and 0.35 for weak, moderated, and substantial  
\* $p < 0.05$ , \*\* $p < 0.01$ , ns not significant, SE standard error

The structural model expresses the relation between the latent constructs. According to the theoretical considerations, the perceived cultural distance is conceptualised as the antecedent for the willingness to adjust the symbolic leadership style. The willingness, in return, has an impact on the acceptance as leader by the host country workforce. To assess the structural model, explanatory power is evaluated. This measure expresses the ability of a model to effectively explain the subject matter to which it pertains. Values for verbal symbolic leadership and enacted symbolic leadership did not reach a sustainable level, but were still moderate in size. The values for material symbolic leadership and acceptance are respectively sustainable. All  $\beta$ -values appeared to be substantial outcomes, with the exclusion of path coefficient, for verbal symbol leadership to acceptance and material symbol leadership to acceptance. The latter value does not even fulfil the requirement for moderate effect, while the first is at least moderate. Taking the  $t$ -statistics into consideration and based on the statistical measure, it is fair to say that H4c cannot be accepted (material symbolic leadership to acceptance). All other hypotheses are accepted, even if the goodness of the used measures differs.

## Discussion and Implication

The central idea of this study is that normative sanctioning can be understood as an antecedent of the leadership adjustment process. Sanction, in this respect, can be seen as a social mechanism that regulates interaction between expatriates and local followers (Zimmermann & Sparrow, 2007). Thus, synchronising behaviour between leader and local followers takes place by changing elements of their interaction routines, working styles, or leadership styles (Festing & Maletzky, 2010). Leadership, in particular, is a social construct that refers to, and is based on, the category of meaning. The idea that reality only becomes tangible and capable of being experienced through symbols is the central idea of this study.

Outcomes in support of the hypotheses found that one strategy to overcome normative sanctioning is, indeed, to adjust symbolic interaction. Findings show that it is safe to assume that perceived cultural distance affects the willingness to adjust symbolic leadership in all three categories (verbal, enacted, and material). There is a clear impact of the recognised cultural distance and the attempt to adjust words or verbal phrases in order to make the statement more comprehensible. Communication styles, wording, and phrases used in daily business all carry meaning. To decode this meaning and, thus, understand the message correctly, both leader and host country followers apply a cultural bounded

memory which stores schemes, such as collective memory, stereotypes, or cognitive institutions. Normative sanctioning occurs if the meaning a leader symbolises with his communication style is perceived as inappropriate by the host country workforce (Oguri & Gudykunst, 2002). To overcome such sanctioning, leaders change their communication styles. Further results show that there is an equally strong association between the perceived cultural distance and the enacted symbolic leadership construct. In particular, the enacted leadership construct is concerned with the way expatriates behave towards the host country workforce. It is found that a greater perception of cultural distance increases the willingness to adjust the behaviour. Therefore, expatriates respond to a recognised gap in understanding with a change in leadership behaviour. Behaviour in this respect means symbolic behaviour, that is, the way expatriates encounter the foreign workforce or use gestures to accentuate their acceptance (Littrell, Alon, & Chan, 2012).

In reference to the state of the art in adjustment research, Haslberger (2005, p. 162) claims that 'no significant theoretical development has taken place in the management literature on expatriate adaptation at least since Black, Mendenhall and Oddou reviewed international and domestic adjustment'. In this regard, the presented study has contributed to this effort by highlighting that meaning, symbols, and cultural bounded normative systems do indeed have a relevant impact on adjustment. Accordingly, two main implications for managing the international workforce can be outlined. First, it is safe to say that high-perceived cultural distance requires a great effort to adjust. This, in turn, leads expatriates to try harder to overcome the cultural gap in interpreting verbal or behavioural symbols of leadership. A high willingness to increase understanding is appreciated by foreign followers and, thus, causes increased satisfaction with the foreign assignment. Based on these considerations, the sending company has a lever for creating basic conditions for a successful foreign assignment. Here, the selection process for potential expatriates can focus on their willingness and their ability to embrace a new culture. Since people differ in both their openness and their capabilities, companies may have an indicator as to which individual has a greater possibility of being accepted as leader abroad by the foreign workforce. Second, turnover is an issue in expatriate management. In order to deal with this topic, the findings of this study indicate that verbal and non-verbal (behavioural) communication processes are the key to increased acceptance and job satisfaction and are likely to reduce turnover. Communication can be trained and learned. In this respect, it is not the technical use of words, phrases, or grammar as important tools, but it is the willingness to deal with the interpretation of others that is essential. Therefore, communication trainings should not simply facilitate the use of correct words, but the openness to different interpretations and the

boundedness of words to culture. Finally, normative sanctioning is something expatriates have to tolerate and learn to deal with. Reactions like, for instance, frustration and anger may be reduced if one is educated about the process or the mechanism of interpreting symbols against a different background. The knowledge that meaning is relative and dynamic may help expatriates to go through the sanction process without the feeling of being rejected, which eventually will prevent them from feeling frustration.

However, given these insights, there is the need for further research. For instance, to better understand the complex adjustment process, there is the need for substitutes, such as the willingness to adjust symbolic actions, instead of measuring the symbolic interaction. This, however, requires a whole new methodical approach to the phenomenon since it is currently not clear what should be measured if we measure symbolic action. Therefore, one future direction for further research should be focused on how to transfer these concepts into practical measures.

## Appendix

### Measures

I used the following indicators for the constructs. Factor loadings range between 0.584 and 0.940 and were significant at least at a  $p < 0.05$  level.

*Verbal symbolic leadership*: Cronbach's  $\alpha$  ( $\alpha$ ) = 0.928, composite reliability (CR) = 0.949, average variance extracted (AVE) = 0.823.

(i) Adjustment of speech, (ii) mindfulness with wording, (iii) try to apply the foreign phrase, and (iv) choose metaphors I hear from my staff.

*Enacted symbolic leadership*:  $\alpha$  = 0.940, CR = 0.958, AVE = 0.850

(i) Underplay dominance, (ii) back words with actions, (iii) reaction of their behaviour, and (iv) discuss their behaviour.

*Material symbolic leadership*:  $\alpha$  = 0.801 0.839 0.662

(i) Technical device, (ii) status symbols, (iii) cloth, and (iv) artefacts.

*Acceptance as leader*:  $\alpha$  = 0.949 CR = 0.964 AVE = 0.870

(i) Respect form respect Host Country National (HCN) workforce, (ii) recognition as leader, (iii) acceptance as leader, and (vi) HCN workforce response

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# Culturally Endorsed Leadership Styles and Entrepreneurial Behaviors in Asia

Etayankara Muralidharan and Saurav Pathak

## Introduction

Extant research has yet to find leadership patterns that are particularly relevant to entrepreneurship (Vecchio, 2003). While the entrepreneurial process has previously been seen in the same vein as that of leadership (Cogliser & Brigham, 2004), the links between leadership styles and entrepreneurship have not been thoroughly understood. With regard to leadership research in Asia, extant research suggests that one focus of future research should be to identify the outcomes of leadership (Liden, 2012). Further, since Asian countries are characterized by high-context cultures, appropriate behavior of leaders is dependent on the situation in which such behavior unfolds (Hofstede, 2001; Liden, 2012). Our study specifically seeks to address the above gaps by examining how culturally endorsed leadership styles influence entrepreneurial behaviors in an Asian context. In doing so, we also address the call by scholars to incorporate multilevel research designs that cut across levels of analysis in entrepreneurship research.

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Although it is difficult to describe leadership in Asia in view of the vast diversity that exists in the continent (Ismail & Ford, 2010), scholars have argued that there are more cross-cultural similarities (between Asian countries and Western countries) in leadership and follower perceptions than there are differences (Bass, 1997; House et al., 2004). The differences between leadership and outcomes that may exist can be explained by the moderating influences of institutional or cultural variables (Atwater et al., 2009; Spreitzer, Perttula, & Xin, 2005). We extend this line of enquiry in examining the effect of implicit leadership theories (ILTs), a cultural influence, on entrepreneurship in Asia.

ILTs are normative institutions that legitimize behaviors, attributes, and motivations of leaders, and these theories influence individuals' choices in terms of who they will accept and categorize as leaders (Lord, Foti, & de Vader, 1984; Lord & Maher, 1991). Culturally endorsed implicit leadership theories (CLTs) build on ILT (Lord & Maher, 1991) and are considered normative institutions. Our study and its findings contribute to the above discussions by establishing CLTs as normative institutions and their influence on entrepreneurial behaviors in an Asian context.

## Literature Review

### Entrepreneurship

Entrepreneurship is an individual's career choice to work for his/her own account and risk (Hébert & Link, 1982). This occupational choice to engage in entrepreneurship is not a single event but a process that unfolds over a time period (Baron, 2007; McMullen & Dimov, 2013). Extant research findings on cultural values and entrepreneurship or entrepreneurial behavior have been inconsistent and this may be due to the use of different indicators of entrepreneurship by scholars (Bergmann & Stephan, 2013; Van Der Zwan et al., 2011). We can therefore infer that entrepreneurs may exhibit different behaviors, which may be influenced by national institutions such as culture, as they move through the entrepreneurial process (Autio, Patha, & Wennberg, 2013; Bergmann & Stephan, 2013; Van Der Zwan et al., 2011). We associate the entrepreneurial behaviors and the various phases of the entrepreneurial process with the classification of entrepreneurs by Global Entrepreneurship Monitor (GEM) survey.

The first phase of entrepreneurship may be a goal-directed intention of individuals to commence a venture (Frese, 2009; Gielnik et al., 2014).

Thereafter the entrepreneur proceeds to the second phase of implementation of his/her plans (nascent entrepreneurship). Immediately after implementation would be sustained operations of the venture, which reflect that the individual has successfully launched his/her new venture (new entrepreneur). Thereafter individuals may or may not continue with their operations depending upon the feasibility of their plans, availability of other lucrative goals, or because of other external exigencies leading to the established phase of the enterprise. These individual behaviors of entrepreneurs may be influenced by the specific cultural context of the society within which it takes place (Welter, 2011; Zahra & Wright, 2011). CLTs are one aspect of the cultural context which is relevant for individuals' entry and engagement in entrepreneurship. We first provide background on CLTs as national institutions more generally before empirically examining their links with entrepreneurship in an Asian context.

## CLTs as National Institutions

Drawing upon insights from institutional theory, we develop new insights for entrepreneurship by understanding the factors that help to build, develop, and manage various relationships within the community that facilitate entry into entrepreneurship. Institutions refer to aspects of social structure that facilitate and constrain behavior (North, 1991; North, 2005; Scott, 2005). They act as implicit guidelines for an individual's actions (Powell & DiMaggio, 1991). While formal institutions are explicit incentives and constraints arising from government regulation (Scott, 1995, 2005), informal institutions are implicit, socially constructed, and culturally transmitted (Stephan, Uhlaner, & Stride, 2014). Normative institutions are informal institutions and they model themselves on dominant practices or norms in a given society (Javidan et al., 2006; Scott, 2005; Stephan & Uhlaner, 2010). These institutions elaborate the social obligations and expectations of actions based on existing norms or practices (Bruton, Ahlstrom, & Li, 2010; Stephan & Uhlaner, 2010).

ILTs as per extant research are normative institutions that legitimize behaviors, attributes, and motivations of leaders. These theories influence individuals' choices in terms of who they will accept and categorize as leaders (Lord, Foti, & de Vader, 1984; Lord & Maher, 1991). Followers' perceptions of a leader are embedded in the society's cultural values. These values are results of repeated behaviors that shape the cultural expectations and views of ideal leadership, and leaders tend to behave in line with these expectations (House et al., 2014). We therefore infer that individuals are

more likely to emerge as leaders and be successful in their leadership role if they demonstrate traits that are consistent with the ILTs held by followers (Epitropaki et al., 2013).

Since ILTs are culturally shared within societies and cultures and show variations across countries, we expect different types of leaders to emerge in different cultures, depending on how strongly certain ILTs are culturally endorsed. CLTs build on ILT (Lord & Maher, 1991) and are therefore normative institutions. They refer to an individual's stereotypical ideas about the traits and behaviors of effective leaders (House et al., 2004; Javidan et al., 2006). We now specifically elaborate on the dimensions of transactional and transformational CLTs as they are relevant for entrepreneurship.

## Leadership Styles

As a starting point, we define leadership as 'the nature of the influencing process – and its resultant outcomes – that occurs between a leader and followers and how this influencing processes is explained by the leader's dispositional characteristics and behaviors, follower perceptions and attributions of the leader, and the *context* in which the influencing process occurs' (Antonakis, Cianciolo, & Sternberg, 2004, p. 5, italics added). From the above definition, we infer that the effectiveness of leadership styles may be contingent upon the context within which leadership behaviors are performed (Antonakis & Axtell, 2006).

The Globe Leadership and Organizational Behavior Effectiveness (GLOBE) study extrapolated ILT to the aggregate or cultural level and highlighted that individuals' implicit belief systems about leaders are culturally endorsed (House et al., 2004; Javidan et al., 2006). In other words, there is significant variation across cultures and consensus within cultures about the traits and attributes of outstanding leaders (Dorfman et al., 2012; House et al., 2004). The influences of CLTs have received only limited research attention with the exception of Dorfman et al. (2012) and House et al. (2014). These scholars have shown that CLTs influence Chief Executive Officers' (CEO's) behavior in that CEOs perform better when they demonstrate behaviors that align with the CLTs in their cultural contexts. We now discuss *transactional and transformational leadership styles* that are culturally endorsed and empirically examine their influence on entrepreneurial behaviors in Asia.

Transactional leadership theory, also known as managerial leadership, became recognized in the early 1980s (Kamisan & King, 2013). This theory discusses reward and punishment systems in leadership processes whereby the

leader has the power to manipulate the followers in exchange for something of value (Bass, 1990; Burns, 1978; Kuhnert & Lewis, 1987; Yukl, 1989). This perspective refers to bureaucratic authority and legitimacy within the system (Hinkin & Tracey, 1994). The various assumptions that drive the understanding of this theory are that rewards provide motivation to followers, and also that they depend on leaders for guidance and monitoring (Kamison & King, 2013). Transactional leaders negotiate conditions with followers by providing rewards for good performance and threats of punishment for low performance (Moore & Rudd, 2006). Further studies on transactional leadership have simplified the understanding along the dimensions of contingent reward leadership and management by exception (Avolio, Bass, & Zhu, 2004).

Transformational leadership theory suggests that leaders and followers coordinate their efforts to achieve higher goals that result in societal and organizational changes, which are directed by the leader's vision (Ensley, Hmieleski, & Pearce, 2006). This emerging leadership theory values the interaction between leaders and followers (Kamisan & King, 2013). This theory assumes that leaders inspire their followers with a vision and provide direction by motivating and encouraging them to achieve goals (Bass, 1990; Avolio, Bass, & Zhu, 2004; Kuhnert & Lewis, 1987; Tracey & Hinkin, 1994). The understanding on transformational leadership has been further simplified along the dimensions of influence and charisma, inspirational motivation, intellectual stimulation, and individualized consideration of followers by leaders (Northhouse, 2004).

In summary, we draw upon the above insights from ILT, to understand the influence of CLTs – culturally shared stereotypes of effective and outstanding leaders – on entrepreneurial behaviors in the entrepreneurial process in Asia. These CLTs are theorized to be more proximal drivers of cross-country differences in entrepreneurship as compared with distal cultural values (Stephan & Pathak, 2016). Our approach is in line with the *full-range leadership theory* (Bass 1985; 1998) that contributes by moving beyond just the leader's traits and characteristics to leadership styles, such as transactional, transformational, instrumental, charismatic, visionary, etc., and the effect of these styles on entrepreneurial behaviors – starting with intentions to engage in entrepreneurship to the establishment of successful ventures in an Asian context. Putting it formally our study empirically examines the question *'What are the influences of transformational and transactional CLTs on entrepreneurial behaviors in Asia?'*

We now discuss the methodology followed to empirically examine the above question and present our findings. Our theoretical and empirical model is shown in Fig. 1.

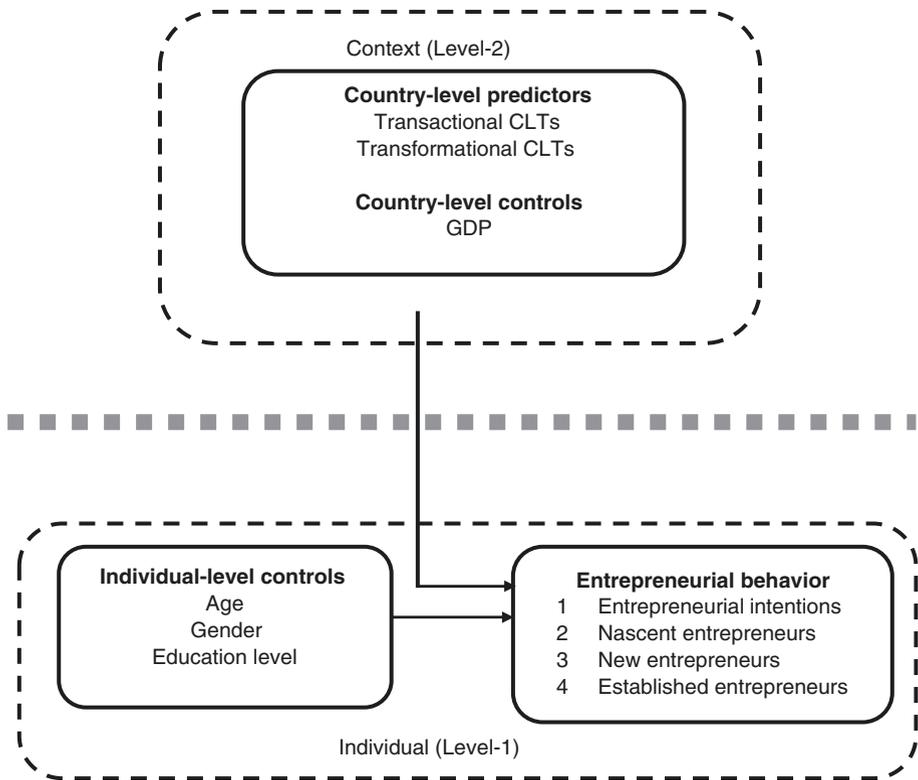


Fig. 1 Theoretical and empirical model

## Research Methodology

In order to empirically examine our research question ‘*What are the influences of transformational and transactional CLTs on entrepreneurial behaviors in Asia?*’, we analyzed panel survey data on over 57,000 individual-level responses from 11 Asian countries for 2001–2008 obtained from the publicly available GEM survey (Reynolds et al., 2005) conducted by the Global Entrepreneurship Research Association (GERA). The Asian countries covered in our data set are China, India, Indonesia, Iran, Israel, Japan, Jordan, Malaysia, South Korea, Thailand, and Turkey. GERA, which has been collecting internationally harmonized individual-level data annually since 1998, surveys representative samples of the adult population within each country (18–64 years of age). Through this cross-country survey design, GEM offers one of the most comprehensive and harmonized data sets on

internationally comparative data on individual-level entrepreneurial ambitions and behaviors.

GEM survey typically identifies four types of individuals in the entrepreneurial process: (1) individuals with *entrepreneurial intentions*; (2) *nascent entrepreneurs* (individuals who are active in the process of starting a new firm during the preceding 12 months and with expectations of full or part ownership, but have not yet launched one); (3) *new entrepreneurs* (owner-managers of new firms who have survived for 42 months and have paid wages to any employees for more than 3 months); and (4) *established entrepreneurs* (owner-managers of firms 42 months old or older). These four indicators of entrepreneurship, which we consider entrepreneurial behaviors in the entrepreneurial process, served as four dependent variables in our study and represented two phases of the entrepreneurial process – *pre-entry and post-entry*. *Entrepreneurial intentions* and *nascent entrepreneurs* represent the pre-entry phases and *new entrepreneurs* and *established entrepreneurs* represent the post-entry phases of the entrepreneurial process. We used 57,714 individual-level responses from the GEM survey.

The above data set on individual responses was complemented with country-level data on the two CLTs and gross domestic product (GDP). Measures of CLTs were obtained from the GLOBE survey. GLOBE's Leaders Attributes and Behavior Questionnaire forms the basis on which CLTs are generated. GLOBE surveyed 17,000 CEOs/managers from across 62 societies. Starting with an *alpha* version of this questionnaire, GLOBE enlisted 56 leader attributes and behavior items that included a wide variety of the traits, skills, behaviors, and abilities often associated with leadership emergence and effectiveness. These leader attributes were rated from 1 to 7 (a low of 1 indicating 'this behavior or characteristic greatly inhibits a person from being an outstanding leader' to a high of 7 indicating 'this behavior or characteristic contributes greatly to a person being an outstanding leader'). *Transformational and transactional* CLTs were computed as two composite factors using the six leadership dimensions available from the GLOBE study. Thus, our final usable data set comprised of 57,714 individual responses that were clustered across 11 Asian countries yielding a multilevel hierarchical data set.

We also used controls based on extant research on entrepreneurship. We employed one control at the country level – GDP (GDP in US dollars obtained from World Bank). At the individual level, we controlled for an individual's gender, age (Arenius & Minniti, 2005; Reynolds et al., 2005),

and education level (Arenius & Minniti, 2005). Since our data on the above indicators came from different sources, the variables had different scales of measurement. We, therefore, *z*-standardized each variable such that (1) all variables had a common metric with a mean of 0 and a standard deviation of 1, and (2) the interpretation of estimates could be based on one standard deviation.

Subsequently, we employed multilevel random-effect logistic regression methodology (using *gllamm* command in Stata 13.0 SE version) to estimate the influences of transformational and transactional leadership styles on the individual-level likelihood of engaging in each of the four stages of entrepreneurship in Asia. We ran four separate regressions for the four dependent variables that we just presented.

## Findings

Our data is grouped by country resulting in a hierarchical and clustered data set. This type of grouping allows accounting for the variance in the dependent variable that may arise due to country-level-specific factors. In each of the four regressions, we observed significant cross-country variance in our four dependent variables across the 11 Asian countries that necessitated using multilevel analyses wherein the variance could be explained using the two country-level predictors – transactional and transformational CLTs. Random-effect logistic regression models report estimates for the fixed part (estimates of coefficients) and random part (variance estimates), as well as providing model fit statistics. The estimates are reported as odds ratios (ORs) (exponential of the beta coefficients obtained from logistic regressions).

We report our results as four separate models (please refer to [Table 1](#)) from the four random-effect logistic regressions (i.e., examining effects of transformational and transactional CLTs on entrepreneurial behavior in an Asian context at the individual level) as ORs. Ratios greater than 1 represent a positive association (percent increase) while ratios less than 1 represent a negative association (percent decrease). As mentioned earlier, of the four dependent variables ‘entrepreneurial intentions’ and ‘nascent entrepreneurs’ represent the *pre-entry* stage and ‘new entrepreneurs’ and ‘established entrepreneurs’ represent the *post-entry* stage.

We observed that a one standard deviation increase in transactional CLT and transformational CLT increased the likelihood of entrepreneurial intentions at the individual level by 41% (OR = 1.41;  $p < 0.001$ ) and 24%

Table 1 Effects of CLTs on entrepreneurial behaviors in Asia

	Model 1 Entrepreneurial intentions	Model 2 Nascent entrepreneurs	Model 3 New entrepreneurs	Model 4 Established entrepreneurs
<i>Fixed part estimates</i>				
Individual level				
Age	0.97*** (0.00)	0.98*** (0.00)	0.98*** (0.00)	1.02*** (0.00)
Gender	0.66*** (0.02)	0.71*** (0.03)	0.65*** (0.02)	0.50*** (0.01)
Education level	1.17*** (0.01)	1.17*** (0.02)	1.05*** (0.02)	1.01*** (0.01)
Country level				
GDP in US\$	0.99*** (0.00)	0.99*** (0.00)	0.99*** (0.00)	0.99*** (0.00)
Transactional CLTs	1.41*** (0.06)	1.51*** (0.11)	1.07 (0.06)	0.77*** (0.04)
Transformational CLTs	1.24*** (0.03)	1.07* (0.04)	0.95 (0.12)	1.06** (0.03)
<i>Model statistics</i>				
Number of observations	57,714	57,714	57,714	57,714
Number of groups (countries)	11	11	11	11

Standard errors in parentheses: \*\*\* $p < 0.001$ ; \*\* $p < 0.05$ ; \* $p < 0.10$ ; two-tailed significance

Notes: Columns present odds ratios (OR) instead of regression estimates. OR values greater than 1 signal positive association. OR values smaller than 1 signal negative association

Country-level control of GDP (in US\$) was used. Individual-level controls of age, gender, and education level of entrepreneurs were used. Models 1, 2, 3, and 4 are results of the separate logistic regressions pertaining to the four dependent variables classified as entrepreneurial intentions, nascent entrepreneurs, new entrepreneurs, and established entrepreneurs, respectively

(OR = 1.24;  $p < 0.001$ ), respectively. Similarly, we observed that one standard deviation increase in transactional CLT and transformational CLT increased the likelihood of nascent entrepreneurship at the individual level by 51% (OR = 1.51;  $p < 0.001$ ) and 7% (OR = 1.07;  $p < 0.10$ ), respectively. The above results suggest that both transformational and transactional leadership CLTs favor entrepreneurial behaviors in the *pre-entry* stages in Asia. Further, we observed that a one standard deviation increase in transactional CLT decreased the likelihood of established entrepreneurship at the individual level by 23% (OR = 0.77;  $p < 0.001$ ) and that a one standard deviation increase in transformational CLT increased the likelihood of established entrepreneurship by 6% (OR = 1.06;  $p < 0.05$ ) at the individual level. The influences of both leadership styles were observed to be statistically non-significant on new entrepreneurship. This suggests that while transformational leadership CLTs favor entrepreneurial behaviors in the *post-entry* stage of established entrepreneurship, transactional leadership CLTs may not favor such behaviors.

## Discussion and Implications

Entrepreneurship represents the engine of economic growth, creates employment, and therefore is very important for national economies (van Praag & Versloot, 2007). The extent of entrepreneurship varies considerably across countries. Informal institutions, especially cultural values, are often assumed to be the reason for such consistent cross-national differences (Krueger, Liñán, & Nabi, 2013; Stephan & Uhlaner, 2010). Entrepreneurship and leadership are considered as separate fields of study (Vecchio, 2003; Cogliser & Brigham, 2004). Although there have been discussions for the convergence of research in entrepreneurship and leadership to enable an interchange of ideas between the two fields (Czarniawska-Joerges & Wolff, 1991; Cogliser & Brigham, 2004; Vecchio, 2003), there has been little progress made in that direction (Daily et al., 2002). Our study investigates cultural leadership expectations as context-specific cultural antecedents of entrepreneurship specifically in an Asian context. Our study specifically contributes to the emerging process perspective in comparative entrepreneurship research (Baker, Gedajlovic, & Lubatkin, 2005; Bergmann & Stephan, 2013). We find that cultural predictors (i.e., CLTs) show strong associations differently with different phases of the entrepreneurial process in Asia.

Our study therefore attempts to link leadership and entrepreneurship research by introducing a cultural leadership paradigm that improves our understanding of the emergence of entrepreneurial leaders across cultures. Specifically, we present supporting evidence for the cultural leadership paradigm by using multilevel modeling techniques and by analyzing data that includes population-representative surveys on entrepreneurship obtained from the GEM survey in the Asian context. Our study makes contributions to research on leadership and entrepreneurship, specifically in an Asian context.

Drawing upon the ILT, our study attempts to understand the influence of CLTs – culturally shared stereotypes of effective and outstanding leaders – entrepreneurial behaviors in the 11 Asian countries. We treat CLTs – *transformational* and *transactional* leadership styles – as similar to cultural orientations and theorize to first establish them as a country's *normative institutional* context. Cultural orientations manifested by transformational and transactional leadership styles provide appropriate contexts for entrepreneurs.

Our findings have implications on the effect of leadership on pre-entry and post-entry entrepreneurship in Asia in order to see how entrepreneurial efforts lead to the successful establishment of enterprises. In other words, how the journey from entrepreneurial intentions to successful establishment of enterprises is made possible by leadership styles in Asia. Our results suggest that while both transactional and transformational CLTs in Asian societies may induce entrepreneurial intentions in individuals, translating those intentions to develop into an established enterprise may necessarily need transformational CLTs. The Asian context specifically may gain from this insight as entrepreneurship is known to be a key driver of economic growth and development.

Our study, above and beyond entrepreneurial entries and establishment, can also have implications on the effects of leadership styles that guide strategic entrepreneurial leadership aspirations – individuals' ambitions to create and lead high-growth enterprises that lead to significant employment. Our study can also have implications on the effects of leadership styles across subsamples of Asian countries. For example, South East Asian countries and Middle Eastern countries, and how these and other subsets may be influenced differently (versus similarly) by CLTs on the corresponding rates of entrepreneurship.

We contribute by ascertaining that CLTs are more proximal and domain-specific drivers of cross-national differences in entrepreneurship compared to general cultural values and add to leadership research investigating drivers of

entrepreneurship across cultures. Our contextual perspective highlights the role of the national context in the motivation of individuals to lead enterprises, in contrast to individual differences that are believed to drive such motivations (Day, 2012). Our study therefore contributes to calls for increased consideration of context in examining entrepreneurial behaviors (Zahra & Wright, 2011), and more specifically contribute to the conversation on leadership and outcomes in an Asian context.

## Limitations and Future Research

Contextual factors may influence which leadership styles are effective in inducing desired behaviors in followers (Crossan, Vera, & Nanjad, 2008). We believe that our empirical findings on the effect of CLTs on entrepreneurial behaviors in Asia will motivate theorizing on the mechanisms leading to such behaviors. Further, the likelihood of such behaviors is also a function of individuals' feasibility assessments and influences arising from other contextual influences in Asia (Levie & Autio, 2011). Therefore, the effects of transformational and transactional CLTs in inducing entrepreneurial behaviors in Asia may also be influenced by other national institutions, a factor that leads us to propose a moderating role of other formal and informal institutions in Asia on the influence of these CLTs on entrepreneurship as directions for future research. The more these formal and informal institutions in Asia support individual agency, the stronger will be the effects of transformational and transactional leadership CLTs on the likelihood of individuals becoming entrepreneurs in Asia.

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# Women on Corporate Boards and Financial Performance in Fast-Emerging Markets: Insights from Malaysia

Abdullah Al Mamun, Qaiser Rafique Yasser,  
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## Introduction

Female representation on corporate boards is one of the most topical debates in strategic leadership theory and policy (Terjesen et al., 2009; Nielsen & Huse, 2010; Torchia et al., 2011; Hillman, 2015). This increasing worldwide encouragement, even pressure (Terjesen et al., 2014), to increase female representation on boards of directors is driven by the expectation that female directors are associated with improved business performance. For example, Hillman et al. (2002) argue this is because female directors are more likely than male directors to come from diverse nonbusiness backgrounds, are more likely to hold advanced degrees, and are better at managing risk.

However, there is no general consensus in the literature regarding the performance benefits of board gender diversity with some scholars arguing

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that appointing female directors in response to regulatory pressure has, at best, had a limited effect on firm value (Adams & Ferreira, 2009; Gregory-Smith et al., 2014). We expect that these mixed findings may be due to the fact that the ability of female directors to add value on corporate boards may vary between contexts, with cultural, societal norms, values, and religious sensitivity serving as key boundary conditions (Terjesen & Singh, 2008; Adams & Ferreira, 2009; Grosvold & Brammer, 2011). Accordingly, we argue that acknowledging the socioeconomic context within which women exercise their board roles is informative for identifying the mechanisms through which female directors influence shareholder value. This is particularly important in the context of developing economies, where there is a paucity of evidence regarding the contextual validity of insights for understanding female corporate leadership contributions, particularly in Asia's fast-developing economies.

This is an important area of study given that boards with female representation have been shown to be better adept at recognizing and controlling risk (Erhardt et al., 2003; Carter et al., 2010; Schwartz-Ziv, 2015). With excessive risk taking and poor risk management, commonly cited causes of the recent global financial crisis, it is not surprising that many firms identified by their irresponsible risk decisions had boards that consisted primarily of male directors. However, the contributions of females occur within the bounds of societal norms, expectations, and values. Therefore, this study seeks to investigate the level of female participation on the boards of one of Asia's fastest growing economies, Malaysia, and to examine whether there is a link between female director representation and enhanced corporate financial performance.

A substantial body of evidence from Western corporate contexts suggests that appointing women on boards of directors has a positive influence on firm outcomes and shareholder value (Erhardt et al., 2003; Nielsen & Huse, 2010; Ahern & Dittmar, 2012). However, the opportunity for women to influence corporate leadership in the context of Asian economy firms has been explored by only limited studies. Malaysia presents as an important research environment given it is one of the fastest developing economies in the Asia Pacific and a society where the recognition of female leadership contribution is rapidly evolving (Abdullah et al., 2015). Accordingly, in this study we contribute by tackling the aforementioned gaps.

## Literature Review

The literature argues for a positive relationship between female representation on the board of directors and enhanced outcomes for firms. This

assertion of a firm-level benefit from gender diversity is based on theoretical streams shared by the sociology, management, organizational and corporate governance literatures. Herring (2009) provides a summary of the literature and concludes proponents of diversity argue it enhances firm performance for three reasons. Firstly, diversity improves workplace outcomes as, compared to homogeneous work teams, diverse work teams have greater resources and insights for problem solving (Cox, 2001; Adams & Ferreira, 2009). Secondly, innovation depends less on homogeneous individuals than on diverse groups working together and capitalizing on their individuality (Page, 2007). Thirdly, diversity can influence customers' perceptions and purchasing practices (Sen & Battacharya, 2001).

Additional support for board gender diversity is provided by the corporate governance literature. In particular, stakeholder theory posits that as the board's function is to represent its stakeholders it is more efficient when it is representative of those stakeholders (Huse & Rindova, 2001; Ahern & Dittmar, 2012). Resource dependency theory also holds that board gender diversity increases networks that link the firm to important external resources (Ruigrok et al., 2006). Other researchers argue benefits of gender diversity in upper corporate ranks come from the enhanced creativity, knowledge, and innovation that divergent views of females bring to the board (Carter et al., 2003; Carter et al., 2010), their more inclusive and collaborative management style (Adams & Ferreira, 2009), and their ability to better recognize and control risk (Erhardt et al., 2003). Recent Australian evidence is provided by Hutchinson, Mack, and Plastow (2014), who report that greater board gender diversity moderates firm risk which in turn improves firms' financial performance.

The suggestion that recruiting female directors allows companies to form greater linkage with their external stakeholders (Singh & Vinnicombe, 2004) is also supported by proponents of legitimacy theory, which is often highlighted in the gender diversity literature. For example, female directors have been shown to provide a valuable form of legitimacy in the eyes of potential and current employees with female directors also symbolizing career possibilities to prospective recruits (Hillman et al., 2007). The appointment of female directors to governance committees has also been shown to be indicative of a flexible board that includes high-ability individuals in governance to enhance firm performance (Smale & Miller, 2015). Adams and Ferreira (2009) also document that female directors generally have greater meeting attendance, suggesting that female directors are more active monitors compared to their male counterparts.

In recognition of the abilities of women and the benefits they bring to a board, some developed countries, such as Norway and Denmark, have

mandated regulations that prescribe fixed quota percentages for women on corporate boards (Joana, Janneke, & Chantal, 2010; Isidro & Sobral, 2014). While researchers claim that the increased number of women on boards (Vance, 1983; Heidrick & Struggles, 1986; Grosvold & Brammer, 2011; Ahern & Dittmar, 2012) is a signal of the transition of women to strategic leadership roles, others argue that though the absolute number of women on boards has been increasing, proportionately it is still not notable (Gregory-Smith et al., 2014).

Despite these theoretical arguments, many empirical studies have reported conflicting evidence regarding the relationship between female board participation and firm performance. For example, using a panel data set of 300 firms from Fortune 1000 firms over the period 1990–1999, Farrell and Hersch (2005) find that the addition of female directors to the board has no significant impact on the return on assets (ROA). Carter et al. (2010) also find that the number of female directors is not significantly related to Tobin's Q or ROA in S&P indexed companies. In addition, Rose (2007) shows there is no significant link between firm performance and board gender diversity with a sample of Danish firms for years 1998–2001 while Adams and Ferreira (2009) find that although female directors are more diligent monitors of the firm, they appear to have a negative impact on Tobin's Q. Ahearn and Dittmar (2012) also report that imposing a 40% female director quota in Norway resulted in lower Tobin's Q, arguing this may be because that the legislation forces firms to pick younger and less experienced females to appoint to the board.

Compared to developed economies, emerging economies are lagging behind in both mandating gender diversity legislation and promoting policies that encourage increased female participation in the boardroom (Afza, 2011). Given the empirical evidence regarding women's ability to influence corporate leadership and performance in Asian economies has barely been examined (Alowaihan, 2004; Afza, 2011; Abdullah et al., 2015), this study will examine the extent to which women are appointed to corporate boards in Malaysia, the corporate governance characteristics of firms that appoint them, and to investigate the impact their participation has on positive firm outcomes.

## Hypotheses Development

Within a corporate governance framework, the composition of corporate boards is crucial in aligning the interest of all stakeholders, providing information for monitoring and counseling and ensuring effective decision-making (Becht et al., 2002; Hermalin & Weisbach, 2003). Gender diversity, together

with board size, independence, age dispersion, and director shareholding, is an all-important characteristic that impacts on board decision-making processes and its ability to monitor management (Bøhren & Strøm, 2007).

In Western economies, board gender diversity has become an important issue for several reasons. For example, many institutional investors are considering diversity aspects as part of their investment strategies practices with commitment to diversity in employment being recognized as an important part of socially responsible investment indices (Yasser, 2012). As previously outlined, board gender diversity is also desired by customers, employees, and other stakeholders since it demonstrates the sensitivity of management to stakeholder preferences, aspirations, and concerns (ibid., 2012). Lastly, the strategic advantages that female board members bring to their roles, particularly in relation to risk management, are increasingly becoming a focus of regulators' recommendations for corporate governance best practice.

Carter et al. (2003) explain the relationship between board gender diversity and firm performance based on agency theory and posit that board gender diversity enhances the board's ability to monitor top management. In addition to this, they argue that increasing the number of female directors may increase board independence since women directors bring different perspectives and tend to ask different questions than their male counterparts.

Smith et al. (2006) also argue that board gender diversity enhances problem solving as a variety of perspectives arise, resulting in more alternatives being evaluated in decision-making processes. It is further argued that a more gender-diverse board may improve a firm's competitive advantage given it improves the image of the firm and has a positive effect on customer and other stakeholder engagement (Smith et al., 2006). In line with these arguments, we hypothesize that

*Hypothesis 1:* Firms with female directors appointed on their boards are more likely to exhibit higher levels of financial firm performance than boards with no female directors appointed to the board.

The literature also argues that the benefits brought to a board by a female director will be magnified when multiple female appointments to the board are made. For example, given the marketplace itself is diverse, identifying the organization through a higher proportion of female directors should make it easier for firms to penetrate these markets. Robinson and Dechant (1997) also note that a higher percentage of female directors on boards increase creativity and innovation exponentially. As previously noted, given that gender diversity enhances problem solving by increasing the available

alternatives to be evaluated, appointing more than one female director should further increase the board's problem-solving abilities.

Carter et al. (2003) examined the relationship between board gender diversity and firm value for US Fortune 1000 firms. Using Tobin's Q as a measure of firm value, they found a statistically significant positive relationship between the percentage of women on the board of directors, as well as the presence of a single female on the board, and firm value. In line with these findings, this research argues for a similar positive relationship between higher percentages of female directors on the board and firm performance. Brammer et al. (2007) also suggest that higher female proportion on boards is extremely important when a firm's stakeholders (such as customers, employees, labor unions, and investors) are dominated by females and others with demands for greater diversity. Broome and Krawiec (2008) argue that this is because firms need to signal that they are committed to equality (Shin & Gulati, 2011) while Lindstadt et al. (2011) show that any positive performance effects of female supervisory board members are only attained in firms with a high proportion of females in the workforce or in firms in the business to customer sector. Torchia et al. (2011) also provide empirical evidence by reporting that having three or more women on the board has a positive influence on firm innovation through board strategic tasks. Therefore, we propose the following hypothesis:

*Hypothesis 2:* Firms with higher proportions of female directors on their board are more likely to exhibit higher levels of financial firm performance than boards with lower proportions of female directors on their board.

There is also a growing body of evidence that suggests that female directors with senior-level experience are more likely to be associated with higher firm performance relative to female directors with noncorporate or junior corporate backgrounds. This may be because female directors with senior corporate experience have greater monitoring and advising capability and are better informed given their background and business connections. This may also be because female directors with senior-level experience are able to elicit value-adding incremental monitoring efforts compared to less experienced female board members.

Other researchers such as Bliss and Potter (2002) and Wei (2007) also note that in addition to being more risk averse, female CEOs are less likely to extract personal benefits from the company than men. Laakso (2010) also finds that women CEOs tend to make more ethical decisions in the workplace than men CEOs. Based on the above, the following hypothesis is proposed:

*Hypothesis 3:* Firms with a female CEO-chair are more likely to exhibit higher levels of financial firm performance than boards with a male CEO-chair.

## Methodology

The focus of this study is a sample of the largest 100 companies listed on the Malaysian stock exchange (Bursa Malaysia) for the years 2010–2014. The years 2010–2014 were selected as the latest years before and after the release of the revised Malaysian Code of Corporate Governance in 2012. This allows for a sufficient lag for firms to adjust their board nomination practices and enables a comparison of Malaysian corporate governance pre and post the Code. As previously mentioned, the revised Code of Corporate Governance has a particular emphasis on increasing the female presence on Malaysian boards. In particular the Code prescribes that:

*The board should establish a policy formalising its approach to boardroom diversity. The board through its Nominating Committee should take steps to ensure that women candidates are sought as part of its recruitment exercise. The board should explicitly disclose in the annual report its gender diversity policies and targets and the measures taken to meet those targets.*

The final sample comprises 500 observations over five consecutive years with each company's annual report disclosures investigated for evidence of female board member appointments. Using annual reports for data collection is preferred as these reports are audited, have been published, and are publicly available. Furthermore, annual reports of public listed companies are presented uniformly and disclosures must comply with Bursa Malaysia regulations and the Companies Act 1965. There were 843 companies listed in the main market on Bursa Malaysia as of 31 December 2011, from which the 100 largest companies were selected for this study for each of the five consecutive years.

The study employs nonfinancial data relating to the sample of 100 listed companies and data gathered from the Bursa Malaysia website. We employ financial measures for performance including ROA and return on equity (ROE). These are derived from the relevant firm financial reports. Data on gender diversity and other board characteristics are also obtained from the audited annual reports. In this study, we also control for board size (total number of board members) and firm size (natural log of total assets held by

**Table 1** Definition of variables

S. no.	Abbreviation	Description	
<i>Independent variables</i>			
(A)	<i>GD</i>	Gender diversity on board	Female director presentation in boardroom
(B)	<i>FP</i>	Female proportion on board	The percentage of females on board
(C)	<i>CEOG</i>	CEO/chairman gender status	If female is working as CEO/chair '1' else, '0'
<i>Dependent variables</i>			
(D)	<i>ROA</i>	Return on assets	Net profit divided by total assets
(E)	<i>ROE</i>	Return on equity	Net profit divided by total equity
<i>Control variables</i>			
(F)	<i>FSIZE</i>	Firms size	The log of total assets
(G)	<i>BSIZE</i>	Board size	Total number of board members in a company

the firm). We use three measures of female board representation, i.e., the number of female directors, the percentage of female directors, and a dichotomous variable that equals 1 when a female is the CEO or Board Chair and 0 otherwise. Table 1 presents the descriptive variables of the independent and dependent variables. Table 1 also presents the variables measurement details used in this study.

## Findings

In order to increase female participation in boardrooms, governments and regulators around the world have recently started intervening (Credit Suisse, 2012; Isidro & Sobral, 2014), and Malaysia is one among them. However, there is scarce empirical research on the issue in Malaysia and in other developing economies. Our findings are similar to many earlier studies (Wei, 2007; Ahern & Dittmar, 2012) that have also reported a minimal presence of women on boards in emerging economy firms, including Loscocco et al. (1991), Fischer et al. (1993), Prasso (1996), Butner and Moore (1997), Fasci and Valdez (1998), Alowaihan (2004) and Shaw et al. (2009).

The presence of a female CEO or Board Chair, the proportion of female board members and their influence on firm performance are the focus of this study. In particular, we investigate the corporate governance characteristics of those firms that appoint female directors with an important focus on the examination of the influence of female board members on firm performance,

**Table 2** Descriptive statistics

Variables	2010	2011	2012	2013	2014	Total	SD
Gender diversity in board	0.28	0.34	0.27	0.38	0.28	0.31	0.44
Female proportion in board	5.2	5.6	5.1	5.9	5.2	5.5	11.12
Female CEO/chair	0.04	0.05	0.04	0.06	0.04	0.05	0.185
Firm size	5.26	5.35	5.27	5.36	5.42	5.38	1.65
Board size	8.71	8.90	7.89	8.05	8.12	8.41	3.26
Return on assets	2.32	3.15	2.89	2.99	2.83	2.94	4.31
Return on equity	5.69	7.05	6.21	6.66	5.89	6.32	5.58

measured in terms of ROA and ROE. Building on the work of extant studies, we examine how (H1) a female presence on board and (H2) the percentage of female board members and (H3) the presence of a female CEO/chair influence firm performance.

**Table 2** presents the descriptive statistics relating to board gender diversity and firm performance. The table shows that, for those firms that had appointed female directors to the board, the mean percentages of female participation on the board was 28%, 34%, 27%, 38%, and 28% for the years 2010 to 2014, respectively. Overall females make up 5.5% of board members on average and companies that reported either a female CEO-chair represented 5% of the sample.

ROA reflects the profitability of firms in terms of accounting disclosures taken from the financial reports and calculated as the ratio of net income to total assets. On average, over the period 2010–2014, the value of ROA of sample firms was 2.94%. An alternative valuation of performance, ROE, was also employed. ROE is calculated as the ratio of net income to the total value of a firm's market equity. On average, over the period 2010–2014, the value of ROE was 6.32% with a standard deviation of 5.58%.

**Table 3** shows the results of correlation coefficient analysis. **Table 2** indicates that gender diversity is positively associated with firm ROA; however, no association with the other variables in the predictive model was evident.

**Table 3** Correlation coefficient analysis

Variables	1	2	3	4	5	6	7
1. Gender diversity	1						
2. Female proportion	0.10	1					
3. Female CEO/chair	0.59	2.32	1				
4. Board size	1.26	0.89	0.69	1			
5. Firm size	1.11	0.10	0.22	-0.51	1		
6. ROA	0.02**	0.32	-0.46	0.56	0.43	1	
7. ROE	0.19	0.22	0.59	1.17	0.66	0.33	1

Note: \*\* Significant at the 0.05 level

**Table 4** Regression analysis

	ROA	ROE
Gender diversity	0.12**	0.85
Female proportion	0.42	1.10
Female CEO/chair	0.97	1.08
Board size	2.39	2.15
Firm size	2.28**	1.97**
$R^2$	36%	42%
Adj. $R^2$	31%	34%
$F$ -Statistics	5.125	6.235
Prob.	0.00	0.00

Table 4 shows the results of the regression analysis of the impact of gender on the financial performance of the Malaysia 100 indexed companies comprising the sample. The results indicate that the presence of at least one female director on the board is positively associated with the firm's financial performance. This is consistent with the findings of Adams and Ferreira (2009) and Wei (2007). Cumulative numbers of female directors on the board and the presence of a female CEO or Board Chair however were not found to be associated with firm performance indicators as referenced by either ROE or ROA. As suggested by the literature, a positive relationship between firm size and their financial performance was also observed.

The lack of evidence of a connection between firm performance and the presence of multiple female directors or a female CEO/Board Chair maybe indicative of the specific structural and cultural differences evident in the Malaysian corporate landscape. Smith et al. (2006) make specific note of the different selection criteria applied to appoint female directors compared to the European experience, particularly in relation to their independence from management.

## Discussion and Implications

The role of females as board members and top corporate executives in driving firm performance has become a topical issue, especially following the global financial crisis which was largely attributed to unsound risk management practices. Many researchers and regulators argue that perhaps the crisis would have been less severe had there been more risk-averse female directors making decisions for these distressed firms.

In this study, we examined the influence of female director representation on financial performance in a fast-growing developing Asian economy,

Malaysia. Our findings suggest that having female directors on board is positively associated with firm financial performance. However, intriguingly, having a higher proportion of female directors does not seem to play a statistically significant role. This could imply that in the context of a fast-emerging Asian country it is the appointment of the initial director (s) that 'breaks a barrier' that helps unlock the contributions of females on boards. Thus, it is possible that the initial appointment sets the precedent for challenging culturally embedded gender roles and triggers innovative discussions in the boardroom that help improve decision-making. Intriguingly, subsequent increases in proportion of women on boards are not directly reflected in financial performance – although these could be reflected in outcome variables not considered in this study.

In providing empirical evidence for the drivers of, and benefits of, gender diversity on corporate boards in an emerging economy, our findings offer several implications for practice, policy, theory, and the future research agenda. These findings in particular will allow policymakers and stakeholder groups to evaluate current board diversity recommendations and provide evidence to firms to strengthen their corporate governance through greater female participation.

## Limitation and Future Research

Even though the sample focuses on Malaysian large firms whose practices should be expected to comply with regulations, the transferability of our findings to other jurisdictions may be limited by the idiosyncratic characteristics of the Malaysian corporate environment. As this remains an under-researched area, further investigation of a positive impact of gender diversity is needed in other emerging economy firms. In addition, our focus was solely on the financial outcomes of female board appointments. More research is needed on the relationship between female board members and nonfinancial outcomes such as employee welfare and positive corporate social responsibility.

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# Leadership in the Asia Pacific Region: Insights and Lessons for Effectiveness

Chris Rowley and Dave Ulrich

## Introduction

Media interest in leadership and leaders in the Asia Pacific region continues apace and unabated. From Japan, this ranges from the culture clashes at leading multinationals to the snipping about the ‘depth of bow’ given by ‘foreign’ (‘gaijin’) leaders of indigenous companies. From South Korea, there are the continuing sagas and shenanigans of the scions of the chaebol. From Thailand and Indonesia, it is leaders’ close links with politics and what is seen as ‘crony capitalism’. From the growth in Vietnam (Rowley & Truong, 2009) and Myanmar come the challenges of adapting to a different political setting. Leadership is also academically fashionable with a focus less on the personal traits of a leader and more on how the leader creates value for others, including employees inside the firm and customers and investors outside the firm.

We bring together two streams of inquiry to move beyond media interest to management scholarship. First, leadership continues to be an ongoing focus of scholarship, despite its contested definitions, meanings, and nature

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(see latest thinking on leadership for investors in Ulrich, 2015). Second, the Asia Pacific region has become an important area of inquiry with its rapid and enormous economic growth and potential, size, and population. We examine the important topic of leadership within the region (see also Ulrich, 2010; Ulrich & Sutton, 2011). Our chapter will accomplish multiple purposes. We will better understand how leadership processes and practices can be both different and the same in countries within the region. We will help managers learn how to become better leaders by recognizing and adopting successful practices. As a result of this work, we hope to move beyond the overly dominant and ethnocentric Western literature and explore Asian leadership based on differing cultural foundations. With this we are 'standing on the shoulders of giants' and the seminal work of Hofstede (1980; 2001) and those who followed him (such as House et al., 2004).

We deal with the crucial area of leadership in the Asia Pacific region in three main parts. These are: first, our assumptions about leadership; second, what drives effective leadership; third, the implications for leadership theory, research, and practice. The direct relevance of our analysis to management in the region and beyond will be seen.

Before we start on this discussion, we note some caveats. We will not detail debates about what it 'is', its contested definitions, 'types' or 'styles' of leadership, or the state of research in the field. Rather, we note the following. For some commentators, 'management' is about getting results and doing so efficiently, while 'leadership' is about a vision of the future, setting directions and influencing others to pursue common goals and to go beyond mere compliance with routine directives or roles. This perspective emphasizes personal, rather than positional, power. Also, when looking from the other end of the telescope, the organizational commitment (affective, continuance, and normative) of 'followers' is involved. In simplified terms, the social exchange model (itself based on ideas of trust) is widely used in the leadership area.

The leadership area has been expertly reviewed, showing its widening conceptualization (Avolio et al., 2009) and researched globally (Singh et al., 2008; Takahashi et al., 2012). Given this, we will side step leadership's ever-expanding nomenclature and type of leadership lexicon other than to note it. For example, its list of 'styles' and 'types' has spread from those such as 'paternalistic', 'benevolent', and 'autocratic', taking in 'transactional' and 'transformative' ('charismatic', 'inspirational', 'visionary') to 'ethical' 'authentic', 'directive', 'empowering', 'participative', 'celebrity', etc. Ultimately, leaders lead by creating value for others rather than thinking about themselves. Leaders who are authentic but who do not make others better are more narcissists than true leaders. Sometimes, leaders emphasize their success

(‘I built a company and am personally worth \$1b’), whereas true leaders emphasize the success of others (‘We built a company and I have created 1,000 millionaires’). We also bypass the topic of globalization and its contested transferability and convergent impacts and implications of universalism or not for a range of management areas (see Rowley & Oh, 2016 for an overview), including leadership (Dorfman et al., 1997).

## Assumptions about Leadership

We began with four very simple assumptions about effective leadership. First, both individual leaders and organizational leadership matter. The knowledge and actions of individual leaders have an impact on employees, customers, investors, and societies. Widespread leadership within an organization institutionalizes a culture and endures over time.

Second, the Asia Pacific is a fertile ground for the study of individual leaders and organizational leadership. The region is clearly the fast-paced driving engine for global growth, with both imports and exports of products and services. We believe that here to date much leadership in the Asia Pacific has been imported from Western ideas and practices (see also Adams, 2013). With the insights drawn from this and other research, we believe that Asia Pacific countries and companies can perhaps begin to export leadership as well.

Third, in studying the Asia Pacific, it is important to recognize that while it has some common philosophical orientations, such as the unique context of each country, it offers a rich setting for the further detailed study of leadership. Asia Pacific countries differ along a number of dimensions. It is as dangerous to group all of the Asia Pacific together as it is Europe, Latin America, or Africa. Each country has unique social, technological, economic, political, environmental, and demographic characteristics that determine market and organization maturity. Indeed, there are many striking differences in doing business even within North East Asia between China, Japan, and Korea, let alone with South East Asia. For instance, the leadership gender gap in China is substantially smaller than in Japan and Korea. In China, over 80% of businesses in China had women in senior management positions versus approximately 25% in Japan (Grant Thornton International, 2007), despite its ‘womenomics’ program and with low rates in Korea (Rowley et al., 2015; Rowley & Lee, 2009; Rowley & Kim, 2009; Rowley & Kang, 2006). Others find a continuing poor picture regarding gender balance (Sussmuth-Dyckerhoff et al., 2012). For example, one recent

survey of executive committee members in a country's top 20 companies found just 4% were female in China and 1% in Japan (Wittenberg-Cox, 2014). In other countries, there can even be large internal differences. For example in Malaysia, a key issue is the multiethnic context that leadership operates in and the implication of its particular, embedded 'Bumiputera' policies and practices (Rowley & Bhopal, 2006).

Fourth, understanding and furthering leadership requires rigorous research. Many case studies and personal observations about leaders dominate leadership thinking and practice. We believe that through theory and research theorists who study and leaders who act can better define and sustain effective leadership.

We now present some broad summaries. These summaries are organized around key, overarching questions that shape the study of leadership.

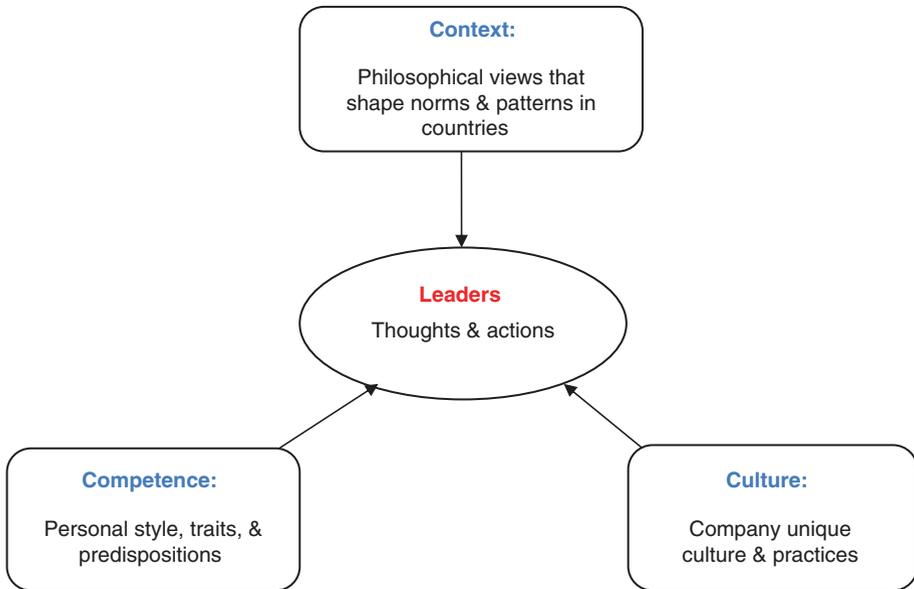
## **What Drives Effective Leadership in the Asia Pacific?**

Due to scope constraints, we do not review the literature on effective leadership other than to note the following three streams: first, 'Path-Goal Theory' (House, 1971, 1996; House & Mitchell, 1974; House, 1996), influenced by Expectancy Theory; second, 'Common Abilities' (Bennis, 1989); and third, 'Core Characteristics' (Black & Morrison, 1999). We know that being an effective leader is a mix of factors. We identify three factors that determine what makes an effective leader, which we call the '3Cs' of context, culture, competence, and as shown in Fig. 1.

What leaders do that makes them successful is to respond to the country context so that their behaviors are consistent with the values and beliefs of the prevailing culture. Leaders also need to respond to their company culture that creates expectations and norms of how they should act to help their company deliver business goals. Furthermore, leaders have personal competencies about who they are, what they know, and what they do. The mix of these three drivers of effective leadership is evident in many studies.

## **Context: The Philosophical Country Context That Shapes How Leaders Think and Act**

Consistent with the Asia Pacific context, we note the philosophical influences of Confucianism, Daoism, Mohism, Legalism, as well as Dharma in Buddhism. This influence of traditional Asia Pacific values for



**Fig. 1** 3C factors affecting effective leadership

management and leadership has been elaborated (Lytras & Ordonez de Pablos, 2008), particularly vis-à-vis the region's Confucian inheritance and its links to cognition (Steers, 2012). Part of the context is collectivism (see Walumbwa & Lawler, 2003). In relation to this are the following interesting findings. Collectivists with transformational leaders generate more ideas and react more positively, while for individualists it is transactional leaders that do this (Jung & Avolio, 1999; Walumbwa et al., 2007). In other collectivist cultures, such as Japan, transformational leadership led to fewer innovative ideas and no increase in performance whereas gatekeeping was more effective and there was no difference with the West (Ishikawa, 2012). Management's personal objectives varied with the Chinese still focused on traditional group cohesion, harmony, and relationship-based trust versus the US focus on personal entitlements and Thais were in between (Adams & Vernon, 2008).

Philosophical approaches underlie leadership behavior throughout the Asia Pacific. A thorough and insightful review of Confucian-style, principle and constants is useful (McDonald, 2012). Similarly, a comparison of Confucian and Daoism ideologies with work by Han Fei, which offers a more legalistic view of society and leadership, is important (Witzel, 2012). The importance of cultural values, particularly Dharmic with reference to

**Table 1** Differences of Western and Eastern business approaches

	Western	Eastern
Time horizon	Short term; how	Long term; future
Strategy	Leading to allocation of resources today	Leading to positioning the firm for the future
Management philosophy	Management by objectives	Management by shared mindset
Decision-making	Fast to decide, longer to sell and implement	Slow to decide, quick to implement
Accountability	Personalized and focused on 'I'	Shared and focused on 'we'
Work	Linear and focused on task at hand	Cyclical and focused on context in which work is done
Career orientation	Generalist	Specialist
Rewards	High pay gap between senior and lower employees; based on performance	Lower pay gap between senior and lower employees; based on tenure and position
Leadership philosophy	Hands on, walking ahead of people: 'Leadership is done from in front. Never ask others to do what you, if challenged, would not be willing to do yourself.' – Xenophon	Hands off, walking behind people: 'In order to guide people, the leader must put himself behind them. Thus when he is ahead they feel no hurt.' – Lao Tzu
Philosophical schools	Christianity	Buddhism, Confucianism, Hinduism, Integral Yoga, Islam, Taoism, Zen, Han Fei

Some of the differences of East versus West can be found in

[http://www.1000ventures.com/business\\_guide/crosscuttings/cultures\\_east-west-phylosophy.html](http://www.1000ventures.com/business_guide/crosscuttings/cultures_east-west-phylosophy.html)

<http://www.thefreelibrary.com/East+versus+West+Philosophy,+Cultural+Values+and+Mindset+-+by+Hemant...-a01073951527>

Ouchi (1983), Hofstede et al. (2010), Hofstede (2001)

Theravada Buddhism, has been shown in Cambodia (Selvarajah, 2012). These philosophical differences show up in Western versus Eastern approaches to business as very simplistically and broadly contrasted in Table 1.

Leaders from the West assigned to work in Asia Pacific organizations need to be aware of their biases and to adapt to Eastern philosophies. Asia Pacific leaders who fall prey to only doing things the 'Eastern way' will not be able to respond to global pressures. Asia Pacific leaders who give in to the 'Western way' will lose sight of their heritage and be inattentive to their cultural uniqueness. Leaders who understand context are able to adapt (not adopt) their insights to local conditions.

## Culture: The Unique Company Culture Challenges That Leaders Face

In today's thinking, culture represents the identity of the firm in the eyes of critical customers made real to employees (Ulrich & Brockbank, 2016). Organizations who want to be known for low cost and competing on price need to build a culture of efficiency and cost containment. Organizations competing on innovation need to build a culture of risk taking and experimentation. Nevertheless, some common strategic challenges exist across Asia Pacific organizations. They increasingly operate in global, not local, markets. As the business world shrinks through technology and access, Asia Pacific companies have faced the challenges of becoming more multinational. Asia Pacific organizations are shifting from being low-cost drivers to discovering how to innovate more. It is not enough to be a low-cost producer of global goods; Asia Pacific organizations are recognizing that they have to provide innovative products and services. Asia Pacific organizations thrive through talent. In the Asia Pacific, the so-called 'war for talent' is intense with concerns around attracting and retaining top talent. Asia Pacific organizations also face the business challenges of demographic change and trends, impacting on labor forces.

In light of these business challenges and expectations for future customers, Asian organizations have to evolve their corporate cultures. These evolving cultural issues are discussed in a number of studies. These show that the Confucian context drives a continuous learning culture where leaders act with *junzi* to encourage 'self-cultivation' and 'learning' in Chinese high-technology firms (Wang et al., 2012). Others show that Malaysian leaders in financial and information services tend to reflect and shape the culture where they work, tending to be transformational and create new cultures (Jongulu & Ferkins, 2012). Still others report that Japanese multinationals build organizational cultures that adapt leadership to the requirements of the local markets where they operate (Black & Morrisson, 2012) and others offer suggestions on winning the so-called 'war for talent' through leaders shaping the right culture (Lynton & Beechler, 2012) and leaders being guided by karma, with its respect for the self-esteem of others and being nonjudgmental (Selvarajah et al., 2012) and its 'sustenance' (Rowley, Saha, & Ang, 2012).

So, we can recognize some of the cultural dimensions that Asia Pacific leaders must attend to. These are fivefold:

Paternalism. The Asia Pacific context and organization cultures tend to be hierarchical and leaders tend to be paternalistic, accepting a personal

responsibility for employee well-being. Leaders need to balance their need for hierarchical control through paternalism with employee autonomy that comes from independence.

*Time.* Asia Pacific mindsets are more likely to focus more on long- than short-term goals. Partly because of company financing through debt (where leaders have to convince a few investors to support them) over equity (where leaders have to show profits to convince many unknown investors to invest), leaders in the Asia Pacific take longer-term views.

*Benevolence.* In many Asia Pacific countries and companies, there is a culture of deference within the hierarchy and an emphasis on teamwork and conformity to shared behavioral expectations. Outspoken employees who challenge their superiors are rare and traditionally such behavior is discouraged. As Tsun-Yan Hsieh (2006, p. 10) said: ‘We shift and share responsibility and the fruits of our collective labor. So by standing up you’re getting ahead of the field and that’s no good. Harmony and hierarchy work to conspire against taking the initiative, which is a big issue in Asian leadership’.

*Collaboration.* Asia Pacific culture encourages collaboration, mutual support, and banding together to achieve common goals – goals often crafted by senior levels. Differences of opinion are seldom encouraged and, if voiced, done so privately and with grace. Public confrontations – including potentially constructive differences of opinion – are discouraged.

*Relationships.* Asia Pacific leaders learn the importance of ‘good connections’, such as ‘guanxi’ in China, ‘yun’ and ‘yongo’ in Korea and ‘kone’, ‘jinmyaku’ and ‘tsunagari’ in Japan, and similar concepts in Thailand, Indonesia, etc. Relationships matter as much or more than technical expertise. Many of these relationships are forged through extended family ties, in education, or early in careers. In particular, relationships with government officials and agencies can be especially crucial.

*Organization.* There is an increasingly clear mix of types of companies doing business in the Asia Pacific. Three broad organizational archetypes can be identified, each with different leadership requirements (see also Adams, 2013):

Private-owned enterprises (POE): Smaller start-up companies are often run by families. Some of these companies have grown quickly and shifted from family to professional management, but they still have embedded family cultures.

State-owned enterprises (SOE): Large, government-owned firms govern the traditional infrastructure (construction, telecommunication, education, utilities, finance). These organizations work to adapt to changing conditions and to make the bureaucracy more adaptable.

Multinational enterprises (MNE): Large organizations headquartered outside of the Asia Pacific and doing business in the region and Asia Pacific organizations seeking to do business in the rest of the world. These have the challenge of adapting practices from one geography to another.

As Asia Pacific leaders recognize the business challenges and subsequent organizational cultural requirements, they will be able to determine what they have to know and to do to be effective leaders and build effective leadership.

## **Competence: The Personal Characteristics of Effective Leadership**

There have been numerous studies (covering them is beyond the remit and scope of our chapter) about whether leaders are 'born' or 'bred', with Trait Theory and so on. These studies look for who leaders are, what they know, and what they do as driven by their heritage versus their ability to learn. In general, these studies find that about 50% of who leaders are comes from their heritage and 50% comes from their environment. This implies that leaders have predispositions that influence how they think and act. However, the data also implies that leaders who learn can think and act differently if they consciously choose to do so and that there is a role for leadership development (see also Adams, 2013), now even seen as better in Asia than Europe (Smallwood, 2010).

Some authors examine these personal characteristics in the Asia Pacific context. These show that personal authenticity in the Asia Pacific context focuses less on 'self' and more on the context in which one operates. While relational authenticity is a predisposition for Asia Pacific leaders, it is also something that can be identified and learned (Zhang et al., 2012). Others show that leaders who master reflector and pragmatic learning skills and demonstrate leadership styles associated with transformation will be more effective, such as those in or small (tire) retailers in Thailand, as these learning skills and leadership style can be learned to help leaders succeed (Michie & Zumitzava, 2012). Others unbundle paternalism in the Chinese context, showing that paternalism comes from morality, benevolence, and authoritarianism, finding that when leaders build trust, they can deliver results (Wu et al., 2012).

These findings give insights into what an individual Asia Pacific leader needs to recognize to be effective. When leaders are more self-aware of their predispositions, they are better able to apply or adapt them to their required results.

## Implications

The result of these conclusions has implications for leadership. This is for leadership theory, research, and practice.

### For Theory and Research

As we have read, reviewed, and summarized these excellent studies, we realize that we have only scratched the surface of leadership in the Asia Pacific region. These studies suggest that much more remains to be done. Some theoretical questions include the following. First, what are the mechanisms by which contextual culture, organizational culture, and personal competence are transferred? Second, what is the relative weight of these three factors in driving leadership effectiveness? Some future research topics and questions include the following. First, how do we compare leadership more subtly across countries? Second, what are the leadership requirements at different levels?

### For Practice

If you are an Asia Pacific leader who wants to be more effective, we offer twin suggestions. First, recognize your biases. Every leader consciously or unconsciously has biases about work. When these contextual, company and personal biases are codified and recognized, they can be better managed. Sometimes it is easy to do what comes naturally, but at other times it is most important to recognize that the situation requires you to do something else, not matter how uncomfortable that is. Second, recognize the setting in which you work. If you are in a SOE, you may see that leadership will require more change than you have previously experienced in your professional career. If you are in a POE, you may have to focus on how to replace yourself with someone whose skills are different from yours. If you are in an MNE, you may have to register that leadership means learning to act on Western not just Eastern assumptions if you are to become a truly global leader.

## Conclusion

Few can doubt that leaders and leadership matter. This is so in the Asia Pacific region. As the Asia Pacific becomes an evermore sustainable economic global player, the lessons of Asia Pacific leadership may help

leaders around the world to know better what they have to do be more effective. Our framework, analysis and conclusions are applicable to leadership in the Asia Pacific region. We call upon all management operating in the Asia Pacific to use this and reflect on the '3C' factors and drivers of effective leadership – context (country), culture (organization), and competence (personal).

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# Part VI

## Leadership in China and Vietnam

# Succession Planning in Vietnamese Libraries: Challenges and Solutions

Thi Trang Huynh, Sue Reynolds, and Paul Mercieca

## Introduction

This chapter focuses on an examination of succession planning processes in public and academic libraries in the Mekong Delta region of Vietnam. The exploration is based on research data from interviews with, and a survey of, library staff at all levels which indicated that succession planning is often little understood, and is a process which faces many challenges. Two case studies have been developed from the data to illustrate the two models – top-down and bottom-up – which are currently in place for conducting succession planning in Mekong Delta libraries. These models are in a state of flux as succession planning processes change and develop in response to a changing culture of management and leadership in Vietnam libraries.

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## Literature Review

Succession planning is 'a process of developing talent to meet the needs of the organization now and in the future' (Rothwell, 2010, p. 371). Most succession planning research deals with the importance of succession planning and the challenges to it generally (Arnold, Nickel, & Williams, 2008; Bridgland, 1999; Galbraith, Smith, & Walker, 2012; Leibman, Bruer, & Maki, 1996; Munde, 2010; Murray, 2007; Nixon, 2008; Singer Goodrich, & Goldberg, 2004; Singer & Griffith, 2010; Topper, 2008; Whitmell, 2002) but does not address the issue of staff awareness of the process in different library types, or of the role of library leadership in overcoming the challenges.

Leibman et al. (1996) indicate that the major challenges of succession planning are the unavailability of key people at the appropriate time and the oversight of development opportunities for potential candidates, such as challenging work assignments, mentoring and feedback. These ideas are supported by Whitmell (2002), who states that identifying the right person to fit the corresponding position, or lacking qualified candidates, are the real concerns for managers of the succession planning process. She further argues that library leaders should provide opportunities for their employees to enhance their progression up the career ladder. Four additional challenges, as indicated by Bridgland (1999), are lack of support from top-down policies; poor vision for the potential usefulness of succession planning; excessive paperwork; and meetings. Pennell (2010) addresses the need to have flexible job descriptions in order to evaluate and select qualified candidates for succession. Another challenge is that if management ignore retraining, retaining and recruiting of employees, then a small talent pool for succession planning is a likely result (Munde, 2010). These challenges of succession planning are important for library leaders to deal with within the context of their organizations.

There are several leadership theories that may underpin succession planning, including: 'great man' theory and 'trait' theory, centred on innate characteristics of leaders; 'expectancy' theory, which suggests that leaders of an organization respond to the expectations of employees and their performance; transformational leadership theory which addresses how leaders may influence staff based on their ideals.

Transformational leadership theory can apply to how leaders implement a vision in relation to succession planning, as indicated by McMurray et al. (2012). The most important step is institutionalizing the vision so that it 'endures when leadership changes' (Palestini, 2009, p. 19). Transformational

leadership 'motivates employees to look beyond their own self-interest and to be of benefit to the organization or work-centre' (Parry, 1996, p. 33), and inspires successors to commit themselves to contributing to the benefits of the organization and community. Thus, the extent to which a leader is 'transformational' can be explained in relation to staff motivation and performance, and the organizational goals.

Additionally, transformational leadership involves personal change. Northouse (2007) indicates that 'transformational leadership is a process that changes and transforms people. It is concerned with emotions, values, ethics, standards and long term goals and includes assessing followers' motives, satisfying their needs and treating them as full human beings' (p. 175). It 'creates valuable and positive change in the followers with the end goal of developing followers into leaders' (Lin, 2012, p. 38). This latter statement encapsulates why transformational leadership was considered particularly relevant for a study of succession planning.

## Leadership and Succession Planning in Vietnam

The Communist Party of Vietnam, also known as the Vietnamese Communist Party, is the only political party of the nation. The Communist Party plays the dual role of leading the Vietnamese people in the struggle against foreign invaders in time of war, and managing political, economic, cultural and social matters of the country in peacetime. Succession planning is considered a specific political duty of the Communist Party which oversees the process of determining the next leaders for the nation.

The Vietnamese government's policy on succession planning relates to all industries of the nation, including libraries, and is applied at three levels of management: the central government, ministry and provincial levels. The Communist Party is directly responsible for succession planning through grass root cells of the Party at all three levels. Leaders of each level are in charge of conducting succession planning with the guidance and directions of the Communist Party. Public and academic library management is at provincial level.

Political governance of the Communist Party is managed through the National Congresses of the Communist Party of Vietnam (Central Committee, 1997; Communist Party of Vietnam, 2011a, 2011b). The National Congress, which is held once every five years, is the decision-making division of the Party. In four National Congresses towards the end of the twentieth century (the 7th to 10th Congresses), staffing and succession planning were a key consideration of

the Party discussions. In particular, following the 7th National Congress of the Communist Party of Vietnam in 1991, the 3rd Plenum of Central Committee VII (1992) decreed that succession planning be put into action. In particular, the Central Committee stated that it was necessary to change the programmes and processes of conducting succession planning to build a cohort of leaders at all levels of administration.

Succession planning must also address three age groups at each administrative level. The ratio of candidates for each age group varies and is based on the level and type of organization. In the parent organization, such as universities, 20–25% of all candidates should be under 40 years old, 55–60% from 40 to 50 years old, and 20–25% over 50. Likewise, 30%, 60–70% and 20% respectively are the percentages of candidates of these age groups at lower level organizations including public libraries and academic libraries.

The succession planning process is encouraged to be undertaken at least once a year in every organization (Central Committee, 1992). The 3rd Plenum of Central Committee VIII emphasized staffing strategies to promote industrialization and modernization of the country. Priority was given to succession planning and staff training in every industry and organization, including libraries. Succession planning is a key aspect of staffing decisions to ensure staffing at all levels is undertaken systematically and interactively to meet the immediate and long-term tasks of the nation (Central Committee, 1997) so that Vietnam can be promoted as an industrialized and modern country in the global economic environment.

In the twenty-first century, the 11th National Congress of the Communist Party of Vietnam (in 2011) pronounced that succession planning for future leaders in all industries, including libraries, is a necessity. More attention was paid to female leaders, leaders from different ethnic groups and from the working class, with the intention of developing suitable talent pools (Communist Party of Vietnam, 2006). Most recently, the 12th National Congress of the Communist Party of Vietnam (in 2016) determined that succession planning is necessary to improve the quality and effectiveness of leadership (Communist Party of Vietnam, 2016a) as well as to build a cohort of leaders with the capacity, quality and prestige required for their managerial positions (Communist Party of Vietnam, 2016b).

At the ministerial level, the Politburo (that is, elite political leaders of the Party) has released a resolution which aims to accelerate succession planning for every organization to the year 2020 and into the future. At the provincial level, the People's Committee of each province issues its own policies on staffing, succession planning and staff training based on National Assembly decisions. These policies provide the foundation for operating succession

planning in each organization of the province, including libraries. Presidents of provinces also release regulations for training and developing professional knowledge of staff and civil servants in public and academic libraries.

In the succession planning process in libraries, the Communist Party often performs the roles the role of initiating, guiding, observing, checking, assessing and decision-making through the Communist Party Cell at each organization. The members of the Communist Party Cell frequently take on key roles in succession planning. The Secretary of the Communist Party Cell is often the chairperson responsible for conducting and making decisions related to this process. The Secretary may also play the role of mentor for potential successors in terms of developing political ideology. Additionally, Communist Party members might comment on potential candidates or be the representatives of the Party in conducting the succession planning process. Finally, being a Communist Party member is usually a criterion to become a successor to management positions in library settings. If candidates are not Communist Party members, they might study Communist Party courses to become Communist Party members in order to be promoted.

## **Libraries in Vietnam**

Libraries in Vietnam are managed by four different ministries and consequently formed into four library systems. The largest system is of public libraries which are overseen by the Ministry of Culture, Sports and Tourism. This system includes the National Library and 64 provincial and urban libraries (General Statistics Office of Vietnam, 2014). Academic libraries, managed by the Ministry of Education and Training, consist of university libraries (14) and school libraries. There are also scientific and technological libraries, led by the Ministry of Science and Technology, and military libraries which are under the management of the Ministry of Defence.

## **Public Libraries in the Mekong Delta**

The Mekong Delta region, situated in the southwestern area of Vietnam consists of 13 provinces, with a public library in each province. Each library was established as directed by the relevant Provincial People's Committee and operates under the supervision of the Committee and the Provincial Department of Culture, Sports and Tourism. Initially, nine public libraries were established in the period of 1975–1978 after the reunification of Vietnam. Four additional provincial libraries were established as new

provinces were opened in 1991, 1997 (two) and 2004. Therefore, the oldest public library has been operating for only about 40 years and the most recent public library is just over 10 years old.

Public libraries are operated under the leadership of directors who are appointed by the parent organization, the Bureau of Information and Culture, in each province. This policy mainly focuses on the responsibilities and powers of the directors who both manage and administer the libraries, including having responsibility for the implementation of tasks assigned to the library by the Chairman of the Provincial Department of Culture, Sports and Tourism. The deputy director reports to the director and is authorized to direct operations of the library in the absence of the director.

Senior managers or heads of library departments are in charge of professional tasks, guided by the deputy director who is their line manager. Board of director members (a director and deputy directors) are able to appoint or dismiss senior managers in the library (Ministry of Culture Sports and Tourism, 2005). Managerial terms of reference for the role of public library directors have not been allocated in any official document to date. Members of the board of directors therefore can remain in their roles until retirement age (60 for men, 55 for women) with the provision that they must also maintain the respect and trust of their employees.

## Academic Libraries in the Mekong Delta

There are 14 academic libraries in the Mekong Delta: 9 at state-owned universities and 5 at private non-profit universities. The university library is considered an important unit of a university with a role in accomplishing teaching and learning tasks. In the university structure, the library is categorized at the same level as other support units of the university, such as departments of academic affairs, international relations, personnel and finance. The oldest academic library in the Mekong Delta was established in 1966 and the most recent in 2011. The largest academic library of a state-owned university has 33 staff and the smallest library has 8 employees. Academic libraries of the private, non-profit universities have only 3–4 employees.

The regulations governing universities provide the president of a university with the authority to make decisions regarding the appointment or dismissal of directors and deputy directors of the support units in the university, including library directors and deputies. Promotion criteria for library leaders include being less than 55 years old for men and 50 for women, and holding at least a bachelor's degree in the discipline of library

science. An initial managerial term, which is applied to all levels of managers, is 5 years with another 5-year term possible (Nguyen, 2010).

The academic library director is responsible to the president of the university for the operation of the library and the implementation of assigned tasks. The deputy directors are in charge of a variety of duties as assigned by the director and are responsible to the director. Senior managers or heads of library departments, appointed by board of director members (director and deputy directors), are in charge of professional tasks and guided by the deputy director (Ministry of Culture Sports and Tourism, 2008).

## Research Methodology

The research project which informs the content for this chapter collected data from four university libraries and all thirteen public libraries in the Mekong Delta, Vietnam. The research used a multi-method case study approach and included an online survey with 172 responses and 23 in-depth interviews with questions developed from the survey data. Through these methods, data was obtained from all levels of library staff – from members of boards of directors, senior managers and general library staff. This allowed for the collection of rich data, increased validity of the findings of the study and enabled greater understanding of the succession processes conducted in the sample libraries.

The survey drew from Rothwell's book *Effective Succession Planning* (2010) to develop questions that focused on the role of succession planning, staff involvement, work performance and training programmes. The survey was developed and administered through Qualtrics survey software and enabled the collection of quantitative data related to existing succession planning processes in the Mekong Delta. The semi-structured in-depth interviews were conducted after the analysis of the survey and the interview data provided explanatory and discursive qualitative information. The data were analysed deductively and inductively. The online survey was analysed using Statistical Package for the Social Sciences (SPSS). Narrative data from the interviews, and an open-ended question included in the online survey, were analysed using the NVivo software program. Thematic analysis was used for interpreting qualitative data. Analysis of both the narrative interview data and numerical survey data was integrated to show the connections and relationships between ideas and concepts and the emerging themes related to succession planning in Vietnam.

Analysis of the data from the research has been applied to developing two case studies within specific contexts for this chapter. The cases provided

understanding of the reality of library succession planning in both public and academic libraries in Vietnam. The case studies provide lenses for the identification and evaluation of existing succession planning processes, and understanding of contextualized issues and challenges.

## Findings

### Models for Succession Planning

Two models have emerged from an examination of succession processes within the public and academic libraries of the Mekong Delta, with the Communist Party playing a key role in the identification of potential staff and final approval of successors to management positions in each model. The first model, a top-down approach, relies on the official recommendations of the Communist Party to identify potential successors and make appointments. The second model employs a bottom-up approach, drawing on staff to make recommendation of potential successors, with Communist party oversight and decision-making.

There is no official policy for how the succession planning process should be conducted in Vietnam. Public libraries do not seem to have any preference for a particular model and may follow either but there appears to be a trend towards a bottom-up approach in academic libraries. The following cases outline the process for how a library might engage with each model.

#### Case 1: Top-Down Succession Planning

In this process, library leaders and/or Communist Party Committee members write an initial list of intended successors. General staff then evaluate possible successors from this initial list for the final list of successors. General staff may also introduce more candidates or self-nominate for the list. The Communist Party approves the list. Candidates on this official list are sent to training courses in leadership and management skills in preparation for possible promotion.

#### Case 2: Bottom-Up Succession Planning

General staff assess and comment on possible candidates' strengths and weaknesses. Work performance history helps them consider if candidates are talented, moral and knowledgeable enough to take charge of a future

managerial position. Through this assessment, general staff suggest the list of potential successors or may nominate themselves for the list. In practice, not many general staff self-nominate since in Vietnamese culture the customs and habits mean that people generally prefer to be discreet, modest and unobtrusive and do not want to stand out (Vu, 2011). In bottom-up succession planning, staff are also afraid of 'losing face' and losing the respect of others if they are not successful in the ballots to make appointments. A secret ballot is conducted in the library to choose candidates for the final, official list to submit to library leaders and the Communist Party Committee of the parent organization, who have the authority to consider the candidates and make decisions from this list.

## Discussion and Implications

Many libraries in Vietnam have recently undergone a marked change in the process of selecting leaders, by moving from a top-down model to bottom-up. As suggested by Case 1, in the past the head of a library was appointed by the higher rank leaders from the parent organization and/or the Communist Party in a top-down model. Selection of library leaders is now often a more representative process, as illustrated by Case 2, where a bottom-up process recognizes the value of input from general staff, enhancing democracy and openness in succession planning.

Changes in succession planning processes present some challenges for the development of qualified cohorts of future library leaders and for methods of evaluating them, with more involvement of staff of various levels. As Vietnam has recently focused strongly on the need to develop models for succession planning, and for developing the next generations of organizational leaders, with the oversight of the Communist Party, there is a need to address some of the current concerns in order for succession planning to succeed.

### Small Talent Pool

The research study indicated that the biggest challenge for library succession planning appears to be a lack of availability of talented and skilled staff, resulting in a small talent pool of potential successors. The main reason for this is a lack of staff with the necessary professional qualifications for the managerial positions to be filled. Additionally, economic and familial issues impact on the availability of suitably talented staff. The reality in Vietnam is

that staff in lower positions are generally not well paid and thus they may need to supplement their income through additional work which is outside of the library. This, plus the need for family time, then impacts on the time available for staff to train or prepare for promotion outside of working hours.

A small talent pool of suitably qualified library staff and leaders is of great concern in both public and academic libraries, not only in the Mekong Delta but also nationwide. Outside recruitment of qualified staff is a possible solution for a shallow pool of talent; however, most participants in the research project believed that libraries should promote candidates from inside the library for managerial positions. Research participants preferred internal candidates because of their knowledge of existing staff and of how the library operates, and they indicated that, in fact, recruiting qualified staff from the outside seldom happens. It was also generally felt that selecting from an internal talent pool would encourage employees to perform better in their current positions; however, time and money would need to be spent to train existing staff so that they could qualify for the talent pool, thus enlarging it for succession planning. Both informal and formal mentoring can be effective in providing training by sharing the experience and expertise of senior staff, or through workshops and short training courses.

## **Leadership Expectations**

There is a generally held idea that staff who have worked longest in both public and academic libraries will become the library leaders. Although this is not always the case, it is a prevailing perception in many Asian countries that leadership is for older, and therefore wiser, employees, as illustrated by the phrase 'long live the village leader'. By adopting the 'bottom-up' approach to succession planning, this belief is now being challenged. Library staff now more often feel that seniority should not be the principal criterion in succession planning. Rather, libraries should adopt the Western model where succession and promotion is generally based on merit rather than simply length of service.

## **Staff Departure**

The current low salaries paid to library staff have also led to problems associated with the ability to retain staff for long enough to be recognized for promotion. It is common for employees to depart from their jobs in the library environment before reaching seniority or being promoted to higher positions. The reasons given for this are low salaries and the ability to earn

more in other organizations. This trend means that, for Vietnamese libraries, talented staff have moved away from the sector and this contributes to the lack of a talent pool from which to select potential candidates. It also inhibits a bottom-up approach to library succession planning by reducing the number of staff available to participate in the process.

To overcome departure due to low salaries, library leaders could provide avenues for staff to supplement their income. In Vietnam, employers are often flexible in allowing staff to do part-time jobs outside the primary place of employment. Jobs such as teaching English, computer skills training or software development for other companies or organizations may enable library staff to earn extra money in addition to their monthly library salary. It is possible for library staff to then contribute a percentage of their extra income (e.g. 30–50%), as decided by all library staff, to a library staff fund to pay colleagues to cover library tasks when staff are busy with outside jobs. This is a win-win solution for all staff in terms of earning extra income.

Additionally, libraries may bring in extra income from internal activities such as a coffee shop or canteen, photocopying services, conference room rental, bicycle shed rental, etc. A predetermined amount of these general earnings could then be used for overtime payments in the library or as a shared bonus at regular intervals.

## **Lack of Job Descriptions**

In general, in Mekong Delta libraries, there has been a lack of job descriptions against which staff could be evaluated as potential candidates for succession planning. Additionally, about one quarter of research study respondents reported that they did not participate in updating their own job descriptions. This impacts on the ability of staff to identify and evaluate their own skills in relation to existing jobs, and also on determination by other staff of suitability for potential inclusion in succession lists, particularly in a bottom-up model of succession planning. Updated job descriptions, with higher expectations, could motivate general staff to work hard and show their capacity to perform the required tasks well and thus be included on the succession list.

## **Insufficient Work Performance Assessment**

Another challenge to a successful succession plan is work performance assessment, which is not commonly used in succession planning processes in the Mekong Delta, especially in academic libraries. Insufficient work performance

assessment makes it difficult to identify potential leaders and also limits the ability for other staff to suggest potential leaders if the bottom-up process is adopted. This may then result in poor selections for the next generation of library leaders and even affect the development of national librarianship.

Work performance assessment should be conducted transparently to evaluate staff for possible promotion. Criteria for evaluation may be based on current job descriptions to enable realistic targets for staff to meet. Alternatively, assigning challenging tasks to employees as part of their job is another way for staff to gain experience in library management and leadership, and to encourage engagement with library activities. Library leaders may then be able to identify individual staff capabilities for managerial positions, and staff may be retained through greater engagement with their jobs.

## The Succession Planning Process

Figure 1 shows how the succession planning process may work in the Vietnamese context (and possibly in other contexts), incorporating the recommendations to meet the challenges indicated above.

## Conclusion

This chapter has used the example of academic and public library environments in Vietnam to highlight current concerns and issues with developing ongoing and future managers and organizational leaders. There is a strong interest and push in Vietnam to position the country within global political and economic environments and thus the Vietnamese Communist Party has clearly identified succession processes as being important for the changing and developing identity of the country. However, for this to occur, and to overcome current challenges, there may need to be changes to current succession practices and, more importantly, an ongoing investment in staff training and retention as a means to develop potential managers and leaders. The emphasis on developing succession planning has the potential for encouraging a more open approach to selecting leaders and to provide impetus for all staff, including leaders, to develop skills and to engage with the wider organizational needs as a true transformational experience. The primary challenges to, and possible solutions for, conducting succession planning indicated by the research study are identified to help library leaders to be more confident in looking for and selecting qualified candidates for the future.



Fig. 1 Model for the library succession process (Huynh, 2016)

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# Laissez-Faire Leadership Behaviors in Public Sector in Vietnam

Diep Nguyen, Stephen Teo, Steven Grover  
and Nguyen Phong Nguyen

## Introduction

Workplace bullying negatively affects the workplace experience and leadership affects the prevalence of bullying. Leadership behaviors predict self-perceived exposure to bullying and psychological health (Buch et al., 2015; Hall et al., 2010; Hoel et al., 2010). Research highlights the cost of unethical leadership, corporate psychopathic leadership, abusive supervision, and simply bad leadership on bullying behaviors and target outcomes, identifying the bad consequences of negative leadership behaviors (Ferris et al., 2007; Hoel et al., 2010).

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Among the different types of negative leadership behaviors is *laissez-faire* leadership, which indicates an absence of leadership; delayed decisions; no attempt to motivate employees, listen to their voice or to recognize, and satisfy their demands (Bass & Avolio, 1990; Skogstad et al., 2007). Nielsen et al. (2005) found that *laissez-faire* leadership in organizations was positively associated with the incidence of bullying. Skogstad et al. (2007) also affirmed a strong effect of *laissez-faire* leadership on workplace bullying. *Laissez-faire* leadership may be seen as bullying in itself; thus, these leadership behaviors create the conditions for bullying to flourish (Hoel et al., 2010). It has been widely argued that leadership behaviors reflect the concern and behaviors of managers toward various aspects of employees' safety of psychological health (Hoel et al., 2010).

Psychosocial safety climate (PSC), an aspect of organizational climate, plays an important role and has been found to reduce workplace bullying (Bond et al., 2010; Hall et al., 2010). PSC refers to the shared perceptions and beliefs of policies, procedures, and practices protecting employees' psychological well-being (Dollard & Bakker, 2010; Zohar & Luria, 2005). PSC specifically emphasizes a strong commitment from managers to take actions to prevent workplace bullying and to effectively handle bullying behaviors when they occur (Dollard & Bakker, 2010; Hall et al., 2010), and PSC predicts employees' psychological health and safety (e.g., Bond et al., 2010; Hall et al., 2010; Idris et al., 2014). The mechanisms through which *laissez-faire* leadership negatively influences outcomes of psychological health and safety have received less attention as most empirical research has concentrated on its direct influence on employee outcomes (Bass, 2008).

Research on *laissez-faire* leadership, PSC, and bullying has focused on Western economies, like Australia (Hall et al., 2010), Norway (Skogstad et al., 2007), and the UK (Hoel et al., 2010); however, little is known of the impact of negative leadership behaviors on workplace bullying in developing economies such as Vietnam. In high-power distance countries like Vietnam, managers pay little attention to employees' opinions and rarely involve subordinates in decision-making (Hofstede, 1983, 2001). Thus, the concept of *laissez-faire* leadership is appropriate for a specific leadership style in Vietnam. Whereas a negligence of research on *laissez-faire* leadership and its effects on employees' psychological health and safety has remained in Eastern workplaces, the aim of the present study is to contribute to the literature an understanding of how this particular leadership style affects employee outcomes in relation to the psychological perspective in an Asian developing economy.

The chapter starts with a literature review on *laissez-faire* leadership and its relationship with psychological safety climate and bullying. Next, this study describes the methodology approach, which uses structural equation modeling

to test developed hypotheses. Findings and discussions are presented in the following sections. The present study ends with limitations and practical implications.

## Literature Review

### Laissez-faire Leadership and Psychological Safety Climate

Leader-member exchange (LMX) theory illustrates relationships between managers and employees on a continuum from low-quality exchanges to high-quality exchanges (Bernerth & Walker, 2009; Walumbwa et al., 2011). Low-quality exchanges are formed by poor information exchange, close supervision, and lack of trust and respect. By contrast, manager-employee relationship with high-quality exchanges is characterized by growing levels of respect, trust, and obligation. Most LMX studies have focused on individuals' experiences of the effect of high-quality exchanges for the reduction of negative experiences, such as role conflict (Nelson et al., 1998; Tordera et al., 2008), work demands and less exhaustion (Halbesleben, 2006), and burnout (Thomas & Lankau, 2009).

Constructive leaders aim for positive interactions with employees in terms of being well communicated, strong, and shared relations (Avolio, Walumbwa, & Weber, 2009). Constructive leadership styles, such as transformational and transactional leadership, are central to developing, and encouraging, and supporting the organizational environment (e.g., Black, 2010; Ehrhart, 2004; Van Dierendonck, 2011; Schein, 2010). These positive leadership behaviors result in high levels of job satisfaction and organizational effectiveness (e.g., Barling et al., 1996; Bass, 1990). By contrast, destructive leaders have a selfish orientation, which shows repeated aggressive or abusive behaviors that result in subordinates' negative emotions, such as anger, frustration, less support, or loyalty (Erickson et al., 2007; Tran et al. 2014). Specifically, destructive leaders are portrayed by personal needs for power, narcissism, and charisma. Such managers prefer unstable work systems with weak institutions and a lack of checks and balances on power that weakens the culture of empowerment, collaboration, and involvement in decision-making (Padilla et al., 2007).

Kelloway et al. (2005) conceptualized two types of negative leaders. The first type consists of active behaviors that are related to destructive manner. The second type is described by passive behaviors, including laissez-faire leadership. Laissez-faire leaders abdicate responsibilities or duties assigned to them (Lewin et al., 1939). This leadership style can cause role conflict, role

ambiguity, low productivity, or low level of job satisfaction (Kelloway et al., 2005; Bass, 1990) because such managers refuse to take actions and leave employees with responsibilities for dealing with problems, which makes employees feel unnoticed and segregated (Bass, 2008; Loi et al., 2009). Laissez-faire leadership negatively affects employees' job satisfaction (Judge & Piccolo, 2004) and satisfaction with leaders and leadership effectiveness (Bass & Avolio, 1994; Judge & Piccolo, 2004; Yammarino et al., 1993). Empirical studies also found this leadership style to be negatively related to group-level safety climate defined as protective actions considered, or taken, by managers (Zohar, 2002). In regard to this notion, Kelloway et al. (2005) and Skogstad et al. (2007) argued that this passive leadership style can predict the safety consciousness and safety climate at work.

PSC theory emphasizes senior management priorities and concerns of employees' psychological health and safety as well as the support and commitment of senior managers for the prevention of stress, anger, depression, exhaustion, and burnout (Bond & Bunce, 2001; Cox et al., 2002; Dollard & Bakker, 2010). A strong PSC of an organization is characterized by the effectiveness of two-way exchange communications between senior managers and non-managerial employees in dealing with psychological health and safety issues (Dollard & Bakker, 2010; Hall et al., 2010). PSC is high when managers play a crucial role in involving and participating in solving psychological problems happening to employees. In addition, a high level of PSC requires an active role of leadership in listening to employee contributions and opinions (Dollard & Bakker, 2010; Hall et al., 2010). These characteristics of managerial responsibilities in a PSC are contradictory to behaviors of laissez-faire leadership when managers tend to evade responsibilities as well as ignore employees' opinions and contributions in decision-making and problem solving. The presence of laissez-faire leadership in organizations results in a workplace climate with high conflict levels (Bass & Avolio, 1990; Skogstad et al., 2007). Therefore, we propose that:

Hypothesis 1: Managers' laissez-faire leadership is negatively associated with PSC.

## **Laissez-Faire Leadership and Bullying at Work**

Laissez-faire leadership is characterized by managers' abdication of duties and accountabilities they are assigned. The refusal to carry out the responsibilities of managers is taken into account for employees' dissatisfaction with the

organization as managers decline to satisfy demands of employees. Employees feel insecure and uncomfortable when laissez-faire managers secure only their own positions at work and do not have any interest in employees (Hoel & Salin, 2003; Kelloway et al., 2005; Leymann, 1990). In this respect, a lack of adequate leadership may be interpreted as bullying in itself when employees experience the intended exclusion and systematic ignorance in decision-making (Bass & Avolio, 1990; Skogstad et al., 2007).

The concept of bullying refers to situations where an employee experiences frequently negative behaviors at work, such as ignorance, social isolation, or being humiliated, and intimidated (Einarsen et al., 2003; Einarsen et al., 2009; O'Moore et al., 1998). Laissez-faire leaders fertilize the ground for bullying between employees at a workplace because these leaders lack the capability to solve interpersonal conflicts among employees and they provoke peer-bullying (Hoel et al., 2010; Skogstad et al., 2007). Managers showing laissez-faire behaviors tend to give inappropriate decisions and to distance themselves from operational and co-operational problems (Einarsen et al., 2003; Skogstad et al., 2007). In addition, because bullying is associated with a lack of task clarity and role conflict (Einarsen et al., 1994), laissez-faire leaders fail to tackle interpersonal conflict and tensions, thereby enriching the bullying atmosphere and allowing bullying to flourish. Managers who avoid intervention in bullying cases convey the message that bullying is acceptable (Einarsen et al., 2009; Hoel & Cooper, 2000; Hoel & Salin, 2003; Skogstad et al., 2007). We therefore propose the following hypothesis:

Hypothesis 2: Managers' laissez-faire leadership is positively associated with the exposure of bullying at work.

## Psychological Safety Climate and Workplace Bullying

Workplace bullying happens due to a combination of different factors, such as imbalances of power, work frustration, high internal competition, organizational changes, or changes in restructuring and downsizing (Salin, 2003). In an organization with a lack of PSC, bullying and other negative behaviors may prevail when employees perceive that their well-being is not a priority of the organization. Employees develop expectancies regarding effects for insecure acts via observations of behaviors of other employees and senior managers (Bond et al., 2010). Establishing PSC involves employees in making decisions that support employee well-being, which

increases satisfaction with the job, climate, and management. In addition, an organization with high PSC makes employees feel more comfortable expressing threats to well-being and provides mechanisms for handling psychological issues that arise (Dollard & Bakker, 2010; Salin, 2003). Furthermore, high levels of internal competition and frustration are unlikely to be present in an organization with strong PSC since they threaten the psychological safety and well-being of employees (Salin, 2003; Bond et al., 2010). We hypothesize that:

Hypothesis 3: Psychological safety climate is negatively associated with bullying at work.

## Employees' Psychological Well-Being

Well-being is a broad concept that is conceptualized differently in research. For instance, Guest and Conway (2004) defined well-being in relation to a managerial workload, personal control over the job, support from colleagues and managers, positive relationships at work, a reasonably clear role and a sense of control of involvement in changes. Grant et al. (2007) characterized well-being in terms of psychological well-being (employees' level of satisfaction with the organization's processes and practices), physical well-being (employees' health outcomes), and social well-being (employees' perceptions of fairness and equity, quantity and quality of social networks at work). This study decides to use the definition of psychological well-being developed by Diener (2000), which is related to employees' attitudes, feelings, and satisfaction with tangible and intangible aspects of their work context.

A positive relationship between manager and employees in LMX theory is opposed to the relationship between laissez-faire leaders and employees. As stated by Kelloway et al. (2005) and Neilson et al. (2005), laissez-faire leadership could be a root cause of workplace posttraumatic stress and strains. In addition, people experiencing bullying at work have suffered from high levels of post-traumatic stress and anxiety, low self-esteem, or dissatisfaction with job (Agervold & Mikkelen, 2004; Bond et al., 2010; Lutgen-Sanvik et al., 2007). These negative psychological health problems are contrary to psychological well-being, which shows how people love their job and are satisfied with the organizational context. Furthermore, managers' laissez-faire leadership may be conceptualized as bullying in itself because managers ignore their employees and avoid intervening when

problems occur. This makes employees feel more stressful and disappointed with the organizational culture in which bullying cases are not concerned and solved by managers (Einarsen et al., 2009; Hoel & Cooper, 2000; Hoel & Salin, 2003; Skogstad et al., 2007). Thus, we propose the following hypotheses:

Hypothesis 4: Managers' laissez-faire leadership is negatively associated with employees' psychological well-being among employees.

Hypothesis 5: Bullying at work is negatively associated with psychological well-being among employees.

Research on PSC has shown that employees who work in an organization with high level of PSC perceive low levels of stress, anxiety, depression, emotional exhaustion, depression as managers have high commitment, involvement and support for the stress prevention (Bond et al., 2010; Dollard & Bakker, 2010; Hall et al., 2010). Policies, procedures, and practices for the protection of psychological safety and health in an organization ensure that employees feel secure at work. It is just because an organization with strong PSC creates a shared perception among employees that stress prevention is the responsibility of every member of the organization. Furthermore, giving employees a chance to participate in the prevention of stress increases ownership of ideas and responsibilities, and improves communication between employees and managers (Dollard & Kang, 2007; Jordan et al., 2003). This leads to employee perceptions of having a legitimate role in occupational health and safety (Bond & Bunce, 2001; Dollard et al., 2007). Consequently, a high level of PSC could trigger the psychological well-being because employees perceive that they are taken care of and their psychological health and safety are concerned by the organization (Bakker & Demerouti, 2008; Dollard & Bakker, 2010). Therefore, we hypothesize that:

Hypothesize 6: PSC is positively associated with psychological well-being among employees.

Hypothesize 7: PSC mediates relationship between managers' laissez-faire leadership and psychological well-being among employees.

The proposed research model and associated hypotheses are shown in Fig. 1.

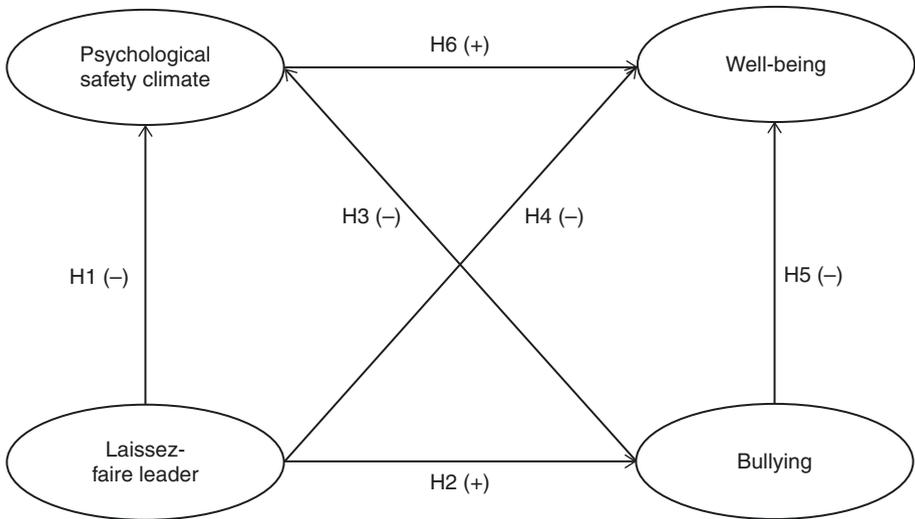


Fig. 1 Proposed research model

## Method

Following Brislin (1970), the survey was first translated and back-translated from English into Vietnamese and back to English by one of the co-authors and a doctorate qualified academic from Vietnam. To ensure the equivalence of translation, two other experienced HRM scholars who were not involved in this study conducted and compared their translations and repeated the process until all errors of interpretation were eliminated, and the questionnaire appeared reasonable and acceptable. A pilot test of translated survey was sent to 50 part-time postgraduate business students to re-evaluate the clarity of the translation. After the pilot testing, some items were reworded and refined so that the questionnaire appeared to be more understandable and representative of the intended constructs. These steps ensured face and content validity of the scales.

A self-completed survey was sent to 207 managers and nonmanagerial employees in the public sector in Vietnam from February to May 2014 (response rate 41.48%). The majority of respondents were female (53.1%). The sample consisted of 62.8% of respondents who had undergraduate and postgraduate degrees. Of the respondents, 81.6% were nonmanagerial employees; 39.1% were in the age range of 26–30, 36.7% were aged from 31 to 40 years. The sample consisted of 52.7% of respondents working in health and social work. Previously validated scales were used in this study.

SPSS 22 was used to produce descriptive statistics and run exploratory factor analyses. AMOS 22 (Byrne, 2009) was used to test the developed hypotheses.

## Measures

A five-item scale of laissez-faire leadership style was adopted from Bass and Avolio (1990). Respondents were asked to indicate how often their immediate managers showed laissez-faire behaviors on a six-point Likert scale, from '0' = not at all to '5' = always. Sample item included, 'Is absent when needed'. This scale had a composite reliability coefficient of 0.92 and an average variance estimate of 0.69.

We used a 7 five-item scale from Hall et al. (2010) to measure 'Psychological Safety Climate'. SPSS 22 was used to undertake an exploratory factor analysis of psychological safety climate (one factor was identified with Kaiser-Meyer-Olkin (KMO) test: 0.93; 63.3% with eigenvalue greater than 1.0). Respondents were asked to indicate their responses on a five-point Likert scale, from '1' = strongly disagree to '5' = strongly agree. Sample item included 'Psychological well-being of staff is a priority for this organization'. This scale had a composite reliability coefficient of 0.93 and an average variance estimate of 0.63.

To measure 'bullying', we adopted a 22-item scale from Einarsen et al. (2009). Respondents were asked to indicate negative behaviors they experienced on a five-point Likert scale, from '1' = never to '5' = daily. An EFA analysis of bullying resulted in two dimensions (KMO test: 0.89; 69.1% with eigenvalues greater than 1.0): person-related bullying (sample item included 'being ignored or excluded', Cronbach alpha = 0.91) and work-related bullying (sample item included 'excessive monitoring of your work', Cronbach alpha = 0.77). This bullying scale had a composite reliability coefficient of 0.98 and an average variance estimate of 0.96.

To measure psychological well-being, this study adopted a three-item scale developed by Brunetto et al. (2011). This scale was measured on a seven-point Likert scale, from '1' (strongly disagree) to '7' (strongly agree). Sample item included 'Most days I feel a sense of accomplishment in what I do at work'. This scale had a composite reliability coefficient of 0.85 and an average variance estimate of 0.66.

*Control and marker variables:* The inclusion of respondents in the public sector from different industries was also used to minimize bias (Becker & Gerhart, 1996; Harel & Tzafrir, 1999). These were age, gender, education level, and industries as these have been previously shown to have an influence on negative behaviors at work (Hoel et al., 2001; Zapf et al., 2011).

The present study utilized a ‘common latent factor’, a ‘marker variable’, and ‘Harman’s single-factor test’ to check for common method bias (see Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). These tests showed that common method bias was not a major issue in this study.

## Findings

Descriptive statistics and correlations between latent variables are reported in Table 1. The model had discriminant validity as the square root of the average variance extracted for each construct is much larger than its correlation with any other construct (Venaik et al., 2005) (see Table 2).

AMOS 22 was used with the application of the two-step approach suggested by Anderson and Gerbing (1988) to test the developed hypotheses in this study. The model had a good fit ( $\chi^2/df = 1.12$ , RMSEA (root mean square error of approximation) = 0.02, CFI (comparative fit index) = 0.99, TLI (Tucker-Lewis index) = 0.99, SRMR (standardised root mean square residual) = 0.03) and

**Table 1** Descriptive statistics and correlations

	Mean	SD	1	2	3	4
1. Laissez-faire leadership	1.31	1.24	1.00			
2. Psychological safety climate	3.00	0.87	-0.19**	1.00		
3. Bullying	2.18	0.82	0.39***	-0.03	1.00	
4. Well-being	4.60	1.25	-0.12	0.44***	-0.29***	1.00

Notes:  $N = 207$

$M$  mean,  $SD$  standard deviation

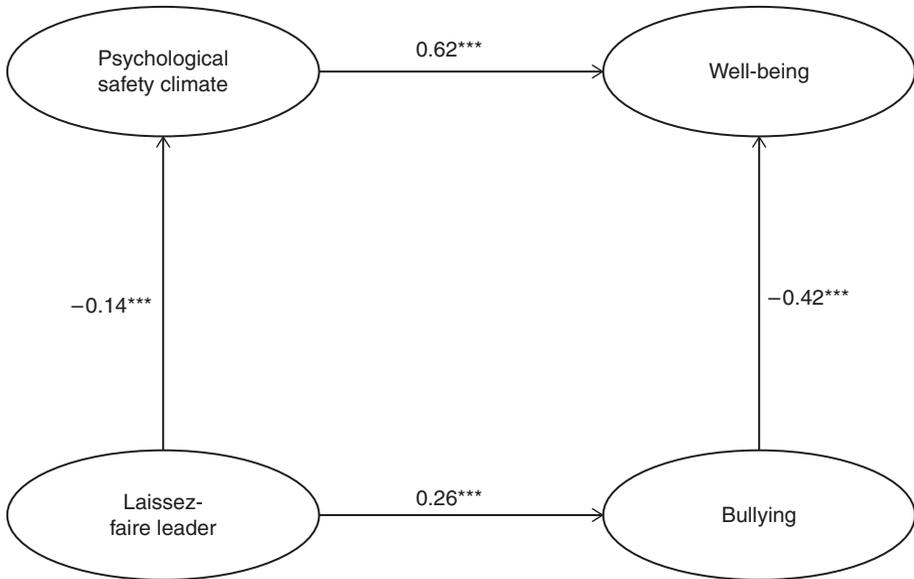
\*\* $p < 0.001$ , \*\*\* $p < 0.001$

**Table 2** Discriminant validity of constructs

	CR	AVE	Laissez-faire leadership	Bully	Psychological safety climate	Well-being
Laissez-faire leadership	0.917	0.690	0.831			
Bully	0.978	0.962	0.313***	0.981		
Psychological safety climate	0.923	0.633	-0.177**	0.140	0.796	
Well-being	0.850	0.655	-0.095	-0.132***	0.487***	0.810

Notes:  $N = 207$

CR composite reliability; AVE average variance extracted; \*\* $p < 0.01$ , \*\*\* $p < 0.001$



**Fig. 2** Path analysis results (Note:  $N = 207$ ,  $**p < 0.001$ ,  $***p < 0.001$ )

these positive fit indices satisfied the guidelines (see Byrne, 2009). The model explained 27.7% of the dependent variable, that is, psychological well-being. The path analysis showed that most of the hypotheses were supported, except hypotheses 3 and 4 (see Fig. 2). The present study also found that psychological safety climate fully mediated the relationship between laissez-faire leadership and psychological well-being among employees ( $p < 0.05$ ). Thus, hypothesis 7 was supported.

## Discussion and Implications

The present study aimed to investigate how laissez-faire leadership affects employee outcomes in relation to the psychological perspective in an Asian developing context. The results showed that laissez-faire leadership had a negative influence on the psychological safety climate of organizations and positively increased bullying behaviors at work. In addition, the present study found that psychological safety climate was positively associated with psychological well-being among employees, which was negatively related to workplace bullying.

The present study contributes to PSC theory and leadership literature in several ways. First, other studies have served psychological safety climate as an

antecedent of negative psychological emotions among employees, such as burnout, depression, and anxiety (e.g., Bond & Bunce, 2001; Cox et al., 2002; Dollard & Bakker, 2010). The results showed that an organization with PSC also enhanced employees' psychological well-being. Our research highlights the importance of the psychological safety climate to protect employees' healthy emotions (Hall et al., 2010; Idris et al., 2014) when negative behaviors of laissez-faire leadership exist. Second, research on the relationship between leadership styles and PSC has been limited. In this study, we emphasized the importance of leadership styles in creating and maintaining PSC for the organization that affects the psychological well-being among employees. Third, whereas research on laissez-faire leadership and bullying have remained limited, this study provides empirical evidence that laissez-faire leadership could make bullying at work worse as it could be bullying in itself (Hoel et al., 2010). Finally, although previous studies on leadership styles, PSC, and bullying were dominated by the Western context, our study was undertaken in an Asian workplace. We found that there is possibility to generalize the theory and adopt this Western theoretical framework in other regions.

A longitudinal research is needed to confirm relationships found here. Future studies should investigate other leadership styles in relation to a range of different types of occupational environment in Vietnam. Future studies should also focus on the role of other leadership styles in relation to the organizations' climate and culture, such as servant leadership, ethical leadership, and authentic leadership. A longitudinal study is necessary to measure employees' psychological experience with leadership styles and bullying at work. This study did not include contextual factors, which could help explain the phenomenon. Therefore, future studies should include specific contextual conditions in explaining how these relationships happen in a specific context.

## Practical Implications

Literature has argued that negative leadership styles can lay the ground for bullying to occur in organizations. The present study adds to the literature on leadership and bullying in two ways. This study has shown that bullying can thrive only when it is conducted by management. Thus, organizations must address the issue of passive styles of management. As well, organizations cannot ignore that leadership styles need to be part of training programs. Training and education for leaders are important in the context of Vietnam's public sector because public sector organizations have ineffective HRM system (Dao, 1997; Painter, 2003). Thus, to prevent bullying behaviors, managers need to be trained in performing positive

leadership styles such as authentic leadership and transformational leadership. In addition, training of effective managerial skills, and knowledge of negative behaviors and psychological health and safety is important for managers in public sector organizations to deal with bullying matters.

This study also highlights the importance of the psychological safety climate in mediating the relationship between negative leadership styles and bullying at work. As Vietnam's public sector organizations are known to have high-power distance culture, it is vital to establish a strong psychological safety climate to prevent psychological hazards and risks. While employees in high-power distance environments are likely to accept authority and power from people holding higher positions, managers in public sector organizations should actively take a leading role to develop a positive work environment that makes employees secure, with easy access to available organizational resources. Managers should commit to create and enact policies, practices, and procedures to protect employees' psychological health. To create a psychological safety climate (in relation to minimizing workplace bullying) in Eastern culture such as Vietnam, managers have to consider how national cultural values may affect the adoption of specific organizational practices (Hofstede, 2001). In a high-power context nature, Vietnamese managers have to employ practices that focus on an egalitarian culture, rather than those practices that emphasize hierarchy and status. High-power distance could increase bullying because managers tend to ignore employees' opinions and contribution as well as neglect to involve them in decision-making. This could contribute to more instances of work-related bullying, similar to those found in the present study. It could make employees feel insecure and uneasy about sharing their opinions and reporting bullying incidents.

Managers in public sector organizations need to consider the development of a two-way communication system between senior managers and employees. This positive communication system encourages employees to discuss with senior managers their health problems and psychological safety. Moreover, managers should be aware of the consequences of a strong psychological safety climate. When there exists senior managers' awareness of psychological hazards and a safety climate to talk about health and safety issues, immediate and quick actions are taken to diminish negative outcomes, such as stress and depression.

## Conclusion

Leadership styles play a key role in influencing negative workplace behaviors. Together with the role of leadership, the psychological safety climate is an important organizational factor to reduce psychosocial hazards and protect

employees' psychological health and safety. Little is known about what managers in public sector organizations can do to prevent workplace bullying and increase employees' psychological well-being. The present study has contributed to the literature empirical evidence of how the Western framework of leadership styles, bullying, and psychological health and safety could be applied in a non-Western context. The current study suggests theoretical and practical implications to increase the knowledge and practice of workplace bullying avoidance and the psychological health and safety among employees.

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# Transcendent Leadership for Sustainable Construction Project Management in China and India

Debu Mukerji

## Introduction and Context

Governments of the Republic of India and the People's Republic of China have led spectacular economic growth, resulting in improvements in the living conditions of millions of poor people. Nevertheless, further growth is essential to bring millions more out of dire poverty. However, the growth process has not been free from problems. Commercial activities including business models are often based on short-term objectives of transactional that is getting things done by payments approach using mass production technology and cheaper resources. The economic growth processes in these two giant economies remain largely dependent on energy from cheaper fossil fuels such as coal, with resultant high greenhouse gas emissions and pollution that exacerbate climate change and ecological imbalance (OECD, 2013). Thus, the growth strategies of China and India have drifted away from societal aspirations including demands on corporate socially responsible behavior and protection of environment. This *'strategic drift'* (Johnson et al., 2014) is visible not only in excessive pollution and emissions but also in the failure to develop a balanced ecology-technology interface that would allow production of goods and services while protecting the environment and conserving

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earth's resources. However, in both China and India, talented university-qualified people needed to fuel the development process are migrating to Western countries for prosperity and a better quality of life.

In the past few decades, the world has seen dramatic changes in general market dynamics, driven by macro-environmental factors including technological evolution toward eco-technology, as well as increasing globalization of business, oil market fluctuations, spectacular corporate scandals, financial meltdowns (e.g., Greece, Ireland, and Iceland), and the increased risk associated with terrorist activities and wars. The changes whether incremental or quantum are impacting the highly complex infrastructure (engineering) construction projects. Repeated restructurings have been necessary to adapt to changes and uncertainties, including pressure from investors to achieve cost savings. The non-egalitarian societal distribution of wealth from economic progress continues. Correction of the strategic drift is long overdue. However, these developing economies must also perform competitively in the global market to be able to reduce widespread poverty. India and China have jointly reiterated that their bilateral partnership on the issue of climate change is mutually beneficial and globally significant (GOI, 2015). The challenges to reform are indeed formidable. To progress the correction process, China has adopted strategies of reducing the size of the coal and iron industries and expanding the service sector to rehabilitate millions of displaced workers. India has also embarked upon significant structural changes (Wang & Yang, 2009). China and India have both taken environmental initiatives such as pollution abatement and water management. To continue with the process of change, responsibly, the industry must improve its capacities to deliver the projects with triple bottom line of sustainable performance in profit, people, and the environment. The chapter provides generic insights and guidance for practitioners to develop mindset and capacity for sustainable construction project management (SCPM) for responsible ways of doing things with cutting-edge knowledge, eco-technology, pedagogical behaviors with supporting organizational culture, motivation for innovative performances, and the capacity to transcend increasing challenges and to exploit opportunities in global market dynamics. It is argued that such responsible leadership will result in significantly higher productivity compared to existing processes. Furthermore, it explores leadership frameworks and the application of transcendent leadership (TL) to achieve triple bottom line sustainability in profitability, people, and the environment. Engineers and other professionals (practitioners) provide bulk of the leadership across the *self-others-organization-community* continuum in different roles from junior managers to senior corporate executives.

This chapter focuses on the evolution of the personal capacities of leaders across all levels for holistic, well-coordinated strategic performance in SCPM (Strang & Kunhert, 2009). The success of TL in SCPM requires identifying and developing healthy, university-educated practitioners who are motivated to achieve self-development and work with a team of expert members to influence and guide the transformation to responsible processes. To endure emerging challenges and opportunities, the practitioners will require holistic growth and innate empowerment to lead from their 'being'. They will need to influence within and across levels to implement effective strategies and develop team members to become sustainably competitive performers (e.g., Collinson & Tourish, 2015; Mukerji, 2012; Shenhar, 2004; Seltzer, 2013; OGC, 2005). Practitioners require capacities to take greater responsibility for their own continuous development and self-empowerment, to sustain their creative abilities and masterly facilitation of expert team members and external stakeholders. Teamwork with expert stakeholders in proactive planning and decision-making is a critical source of experiential learning and education that can be harnessed to deal with major problems and opportunities arising in SCPM, such as adapting eco-friendly technology for performance, protection of the environment, and sustainable competitive advantage.

A significant review of multidisciplinary literature on leadership and professional spirituality was conducted to develop this chapter's definitions of 'transcendental leadership', 'professional spirituality', 'spiritual humanism', and other key concepts. The term 'ecology' is used broadly for the branch of science that holistically deals with the relations of organisms to one another and to their physical surroundings, and political and engineering movements concerned with protection of the environment. For China and India, the challenges of competitive markets and pressures for protection of the environment have added new dimensions to the rhetoric of sustainable competitive advantage.

## **Construction Industry and Evolving Project Management**

According to the World Bank, International Monetary Fund reports, and empirical evidence from the literature, in 2014 the construction industry contributed 8% of the national GDP in India and 10% in China. The sector is labor intensive, and a large employer with three broad areas of activities: (1) engineering construction for infrastructure such as roads, water and electricity supply, and industrial buildings; (2) residential buildings; and

(3) non-residential buildings – offices, shopping centers, hotels, and so on. A number of other sectors are linked to the construction sector including parts of the manufacturing, trade and finance sectors, and some of the professional services such as architecture and engineering. The construction sector delivers its products and services mostly by project management systems and change is a permanent feature of the sector. The sector plays key roles in the growth of national prosperity and has significant potential to contribute to protection of environment. There is strong government commitment to increased sustainable construction productivity amid rising urbanization.

Both China and India have ancient cultures, and their populations comprise virtually all major religions. China has a longer history of economic growth, investments in infrastructure, administrative controls, and management efforts to improve innovation, diversity and zero tolerance on discrimination (Wang & Yang, 2009). In contrast, India is the world's largest democracy in which infrastructure is developing and the old economy is gradually transforming and becoming growth oriented. Compared to China, India has a younger population, English is virtually the second language, and the country is historically closer to Western culture. Although leadership emphasis and styles vary between individuals, organizations, and cultures, similarities in the strategies and values have enabled the two countries to recently sign a joint statement on climate change (GOI, 2015) leading to collaborations on ecological improvements. Despite political and other hurdles, since 1980 both countries have taken joint steps to overcome political differences and establish favorable relations for growing economic and strategic ties (Wiki, 2016b). The question now is how to transform the pattern of balanced economic development in China and India? How are they going to holistically reform attitudes on development from the 'pollute first, treat pollution later' type of approach to responsible production, to sustainable innovation in industrial systems for growth (e.g., human capital and technology) and create regulations to foster sustainable triple bottom line development? New flexible and effective custom-made performance models are essential to improve different sectors of both of the giant developing economies. National initiatives are underway. China claims a world-class industrial base that promises to make low-carbon technology more accessible (Lewis, 2015). There is a high possibility that China's models for transition can be replicated for transformation elsewhere in Asia (OECD, 2013). Proper use of the proposed TL frameworks integrated with ethical/moral values for responsible economic growth will significantly reform the process of change. Ecological orientation and emphasis on system-like interdependencies between environment, organism, and behavior are important (Toor & Ofori, 2008). This perspective is important for developing effective pedagogical behavior, with

the cooperation of organizational specialists, to support the complex SCPM process (Schmidt, 2009; Willems, 1974).

Eco-technics '95, the International Symposium on Ecological Engineering in Sweden, defined 'eco-technics' as a method of designing future industry and societies by ecological engineering within ecological frames (Guterstam, 1996). Eco-technology (Wiki, 2016a), also known as clean-tech, green-tech, and environmental-tech, eco-friendly technology can help preserve the environment through responsible energy efficiency and restraining harmful waste economy. The proposed TL is an applied science that seeks to fulfill economic and human needs with minimal ecological disruption by harnessing and manipulating natural forces to leverage their beneficial effects. Sustainable development requires implementation of environment-friendly technologies that are efficiently and effectively adapted to local conditions (Rogers, 2011; Srivastava, 2015). TL emphasizes approaching a problem from a holistic responsible point of view proactively if possible. It facilitates responsible economic performance in responsible ways including:

- Creating leadership capacities to select eco-responsible processes and responsible use of materials and energy sources
- Control of impacts on ecosystems
- Development and permanent improvement of cleaner processes and products
- Eco-marketing
- Introduction of environmental management systems in the production and services sectors
- Development of activities for increasing awareness of the need for environmental protection and promotion of sustainable development by the general public

Expertise in eco-technology and pedagogical behaviors for holistic SCPM leadership create not only capacities for game-changing performance for sustainable competitive advantage but may also make performers eligible for Asian state and countries rewards for non-polluters. The planning, organization, and teamwork required to develop effective and efficient eco-technology interfacing should come naturally to TL practitioners because the leaders and the organization will share fundamental values and assumptions; each aspires to contribute more and the organization to support. Engineering construction projects involve unique, one-time initiatives. With high demand for growth and innovation, the importance of project management is on the rise (Shenhar & Dvir, 2007; Hallgren & Wilson, 2008) and

engineering projects provide a valuable backdrop to explore holistic project management. The foregoing discussions create the basis for evolution of leadership frameworks for responsible SCPM.

It is generally known that levels of risk and uncertainty in projects are high and the engineering projects have endemic high rates of failure. Thus uncertainty and risks are important issues for SCPM, whether the consequences are measured in cost, time, quality, safety, reputation, or other dimensions of success. There are examples of successful projects, and that a trend of higher rates of failure is noticed more in government public works projects. In software projects, the top four factors that contribute to project success are user involvement, executive management support, clear statement of requirements, and proper planning (Iman & Siew, 2008). User involvement and executive management support ensure timely intervention to meet users' needs and influence the process and progress of a project. A clear statement of requirements and proactively developing those features reduces the adverse effects of change. An added benefit of synthesizing critical past experience with evolving new strategies is that project managers are better prepared to articulate the needs and priorities of unique engineering projects.

Preparing the project plan is the all-important step for successful engineering project management life cycle and usually includes a detailed breakdown and assignment of tasks from beginning to end. Developing a project plan involves integration of several project management knowledge areas for only one output the 'project management plan'. This plan is developed by reviewing the project charter and outputs from several other processes, such as the decision-making, communications, and the cost management plan. The project management plan is used by many processes, such as plan schedule, and control risks. A recurring theme in the literatures is project success factors, and project managers' competence profiling. This research made use of 'planning' artifact for developing project success factors for the new generation leadership development (Hargrove & Sitkin, 2011; PMBOK, 2013; Lynn, 2000) with expertise in proactive planning and the closely associated decision-making of the process in the complex environment of engineering project management. Experience and learning from the past, combined with an awareness of societal aspirations, will create an understanding of both the threats and opportunities for sustainable governance, proactive planning and decision-making all through project management. In addition, drawing on the author's ongoing research into project management, this chapter assumes improvements in common *causes of construction project failures* (Mukerji, 2013, 2012) is a major input to practitioners' insight and developing abilities not only to reduce endemic project failures but also to carry the improvements further to higher

levels of performance for sustainable competitive advantage (e.g., Uhl-Bien, 2006; Thomas & Mengel, 2008; Mukerji, 2013). Moreover, projects are more likely to fail due to people issues than technical problems. Despite a dearth of empirically based research on the soft side of project management, major international project management bodies of knowledge, such as the UK Office of Government Commerce (OGC, 2005) and the Project Management Institute (PMBOK, 2013), posit that project failures significantly relate to leadership problems. This is consistent with the work of scholars (e.g., Scott-Young & Samson, 2008; Bellis, 2003), who have found the following key reasons for project failures:

1. Ineffective decision-making in managing changes
2. Project schedules with unachievable delivery dates
3. Excessive 'scope creep'
4. Ineffective coordination with subcontractors and suppliers
5. Ineffective control and communication over progress, and concealment of project status until it is too late

The findings of a recent mixed methods study on the 'common causes of project failure' (Mukerji, 2012) validate the above studies and also suggest practical leadership behaviors, such as proactive decision-making, to effectively deal with the causes of project failure. The research also found that a 'structured regular review mechanism' for updating decisions regularly is important for continued effectiveness. On the issue of leadership in proactive decision-making practices in India, the KPMG (2009) survey highlighted the following noteworthy implications for corporate governance:

- Requirement for principle-based standards of governance
- Corporate social responsibility – requiring consideration of the interests of society, e.g., all stakeholders, colleagues, the organization, and the leader's self
- Responsibilities for triple bottom line sustainability in (1) profitability, (2) people, and (3) the environment

The KPMG India report emphasized the importance of inherent Indian leadership values in the strategies and behaviors relevant to the foregoing discussion on project failures. As the nature of practitioners' challenges and opportunities is becoming more complex, it is interesting to investigate how leaders should synthesize proven best practices for emerging eco-technology performance. Instead of the general 'reactive' approach in leadership, the KPMG report made clear the need for adopting 'proactive' leadership

strategies, for example, in decision-making, to prevent problems occurring, as well as pedagogical behaviors to beneficially alter leaders' attitudes. Thus, proactive leaders will develop capacities to see the big picture and anticipate problems; become more organized and connected with their team for seeking advice and help; and develop relationships, mutual loyalty, and an integrity-filled attitude leading to trusting relationships, which are critical in the emerging new environment (Crossley, Cooper, & Wernsing, 2013; Pinto, Slevin, & English, 2009; Thomas & Mengel, 2008).

Established patterns of education and training programs (e.g., attending seminars, short executive development programs, etc.) have met with, at best, limited success with respect to integrative thinking. Almost no current theory incorporates individual differences in practitioners' characteristics and leadership styles (e.g., aligning, harmonizing, and achieving perfect equilibrium) for sustainable teamwork. Developmental assignments for practitioners appear to be a faulty assumption as means of preparing them adequately for the intended leadership capacities (Dragoni et al., 2009, p. 732). In reality, twenty-first-century practitioners must manage their own attitude and performance to sustain their motivation and grow their capacity for holistic innovative and sustainable personal performance, and at the same time lead teams and collaborate with others to help them achieve high productivity in their job and social relationships (Drucker, 2005; Watson, 2001; Avolio & Gardner, 2005). Leaders are facing increasing challenges and anxiety at work and in their personal lives and overall satisfaction in both are essential. Together they provide the stable reinforcing base on which leaders perform complex endeavors effectively and efficiently (Campbell, 2007; Quatro, Waldman, & Galvin, 2007; Watson, 2001). The TL growth process needs to be underpinned by *learning-education-training*, and an organizational culture that supports the 'leader' and 'leadership' process equitably in critical areas such as rational aspirations in life, break-through performance at work, competitive edge and protection of the environment (Nelson, Poms, & Wolf, 2012; Hargrove & Sitkin, 2011; Toor & Ofori, 2008; Yang, Phelps, & Steensma, 2010; Dragoni, Tesluk, & Oh, 2009). Commercial competitive advantage and protection of the environment according to social values are not necessarily contradictory. If handled properly, sustainable competitive advantage will unleash humans' ingenuity for highly innovative performance and high productivity. Practitioners are enthusiastic about necessary changes that will improve their life satisfaction as well as their long-term security (Snook, Nohria, & Khurana, 2012; Thomas & Mengel, 2008; Toor & Ofori, 2008; Mukerji, 2013). These insights from this research into the evolving project management and examination of the project successes factors and causes of failures provide a mosaic

of factors for organization specialists to develop more effective pedagogical models for the practitioners.

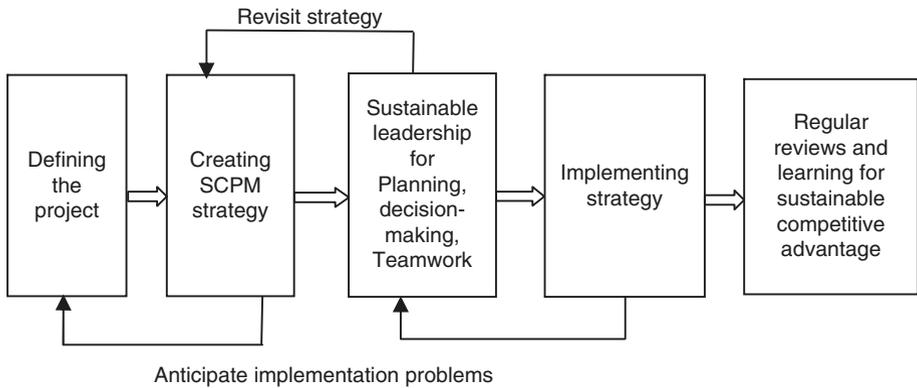
With TL, construction projects are thus poised to shake off endemic failures and instead develop capacities to become sustainable and competitive. With organizational support, leaders' personal transcendent capacities will naturally propel their individual psyche to transcend to higher human tendencies when faced with even apparently insurmountable challenges. However, talented managers are in short supply in the construction industry, and the field of construction may not be appealing enough to attract and retain talented individuals among the new generation of leaders (FMI, 2014). Moreover, organizations may not have the proper supporting cultures, systems, and strategies to support the holistic leadership process. It is interesting that in China and India corporate governance research in the context of emerging economies has started giving more attention to people issues. Leadership in adopting eco-technology, coupled with proactive pedagogical behavior, moral/ethical processes, and the best of organizational values and past practices, are the dominant factors in the successful evolution of established high-polluting practices into sustainable competitive advantage in the low-carbon economy.

## Strategies for Sustainable Competitiveness

Traditional practitioners often limit themselves by defining what they can or cannot do. The capacity to transcend these limitations requires a practitioner to understand and align their leadership attitude toward enduring problems and opportunities. By raising their level of awareness of self and of their team, it will become possible to envision new modes of thinking and to make sustainable decisions about discarding or evolving old technology to embrace emerging eco-technology, according to situational need (e.g., Crossley, Cooper, & Wernsing, 2013; Schmidt, 2009). From the author's ongoing research and the findings, it is apparent that TL is strategic. [Figure 1](#) illustrates the strategic new project management approach for responding proactively to new problems and opportunities in the fast-changing environment.

The figure represents an interrelated system to guide step-by-step SCPM activities as required for proactive leadership on change initiatives, including

- Designing practical action plans for any problem, idea, or opportunity
- Aligning SCPM objectives with organizational goals, vision, and strategic intent



**Fig. 1** Strategic project management: sustainable competitive advantage

- Clearly communicating SCPM strategies and TL values among the stakeholders
- Discussing and proactively eliminating project pitfalls

Change initiatives listed on above, when adjusted to situational needs for projects and market dynamics, will trigger the development of strategic capacities for SCPM objectives, such as

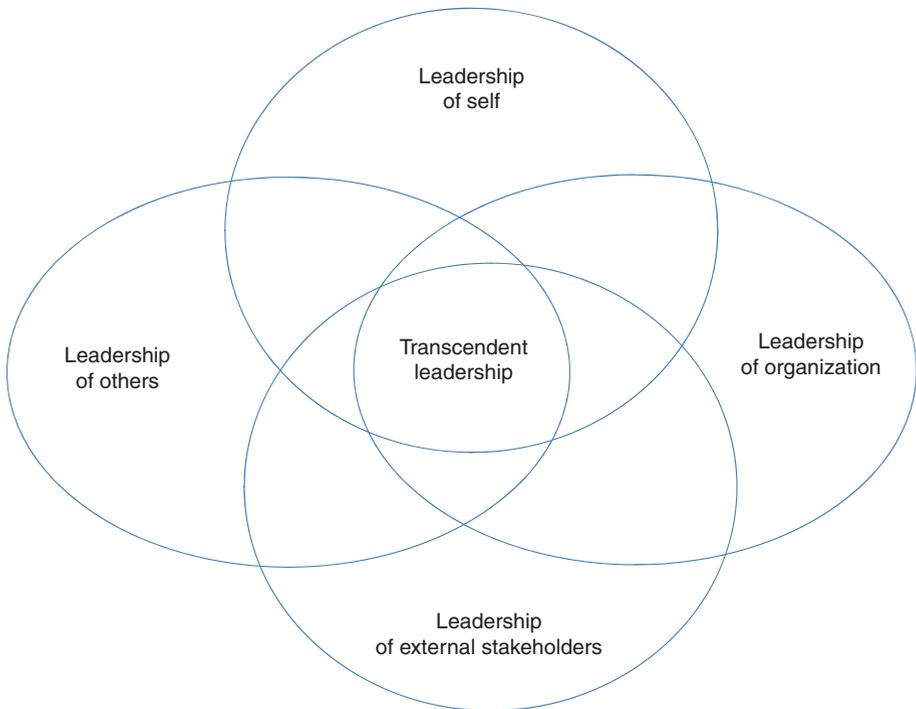
- Moving teams speedily with updated and clear plans showing who does what, when, and how
- Improving collaborative working relationships, cooperation, and conflict management, which increases performance and productivity at project stages and final delivery
- Delivering on-target goods, services, and projects with sustainable competitive advantage, e.g., responsible economic returns, client satisfaction, personal life balance of stakeholders, and protection of the environment

With fast-growing knowledge, it is apparent that long-term business success will depend more on equitable balancing of strategies and business models. The TL strategic process will facilitate the growth of a new generation of leaders with holistic leadership capacities (Quatro, Waldman, & Galvin, 2007) allowing leaders and team members to steadily transcend complex challenges toward sustainable competitive advantage (Hargrove & Sitkin, 2011; Avolio & Gardner, 2005; KPMG, 2009). The key driving forces behind this include

- Growing awareness among policymakers, educators, and the general public of the need for responsible corporate leadership (Pless, Maak, & Stahl, 2011) and organizational learning/education schema to support it
- Insights from experiential learning and actions of leaders in construction project management into holistic performance and the capacities for reduction of project failures and evolution to sustainable competitive advantage
- Proactive behaviors of leaders in planning, teamwork, and decision-making when dealing with major problems
- TL incorporating selected aspects of transactional, transformational, and transcendent groups of leadership theories for SCPM knowledge and wisdom for strategies, ethics/moral, societal relationships, learning and education, professional spirituality, and so on in TL context

TL across levels (i.e., of leader's *self–others–organization–community*) is impacted upon by the strategic project management. TL practitioners play the critical integrative roles at all levels. The TL group of theories provides flexible frameworks for self-enhancement or *leadership of self* enriched with higher levels of self-awareness, which in turn will lead to effective and efficient character-based ethics/moral and knowledge configuration for capacities for efficacy to transcend challenges for sustainable outcomes (Nelson, Poms, & Wolf, 2012). Figure 2 presents the concept of across levels and how TL forms the core of the leadership processes (Crossan & Mazutis, 2008):

The TL framework has been developed in response to the unprecedented challenges from the dynamic congruence and configuration of strategies and driving forces examined earlier. SCPM adopts a flexible structured approach including knowledge configuration for its multidisciplinary systems. At the 21st Session of the Conference of Parties (UNO COP21, 2015) participating in the UN Convention on Climate Change, world leaders delivered an agreement aimed at stabilizing the climate and avoiding the worst impacts of climate change. This triggered the arrival of the 'low-carbon' global economy and new technologies. The TL process with its built-in continuous learning and education component and flexible leadership expertise fits in very well with the leadership capacity needs of emerging challenges and opportunities from holistic eco-technology and low-carbon economy. TL facilitates transcendence in leaders' capacities with the required new values, strategies, and a higher consciousness, leading to game-changing innovative performance in production and protection of the environment (Mirvis, 2008). The regular review mechanism and inherent transparency structured into the decision-making process means the dynamic leadership process can be trusted,



**Fig. 2** Transcendent leadership concept

increasing the chance of projects being considered for new investments from the potential trillions of dollars every year pouring into the growing economies such as China and India (UNO COP21, 2015).

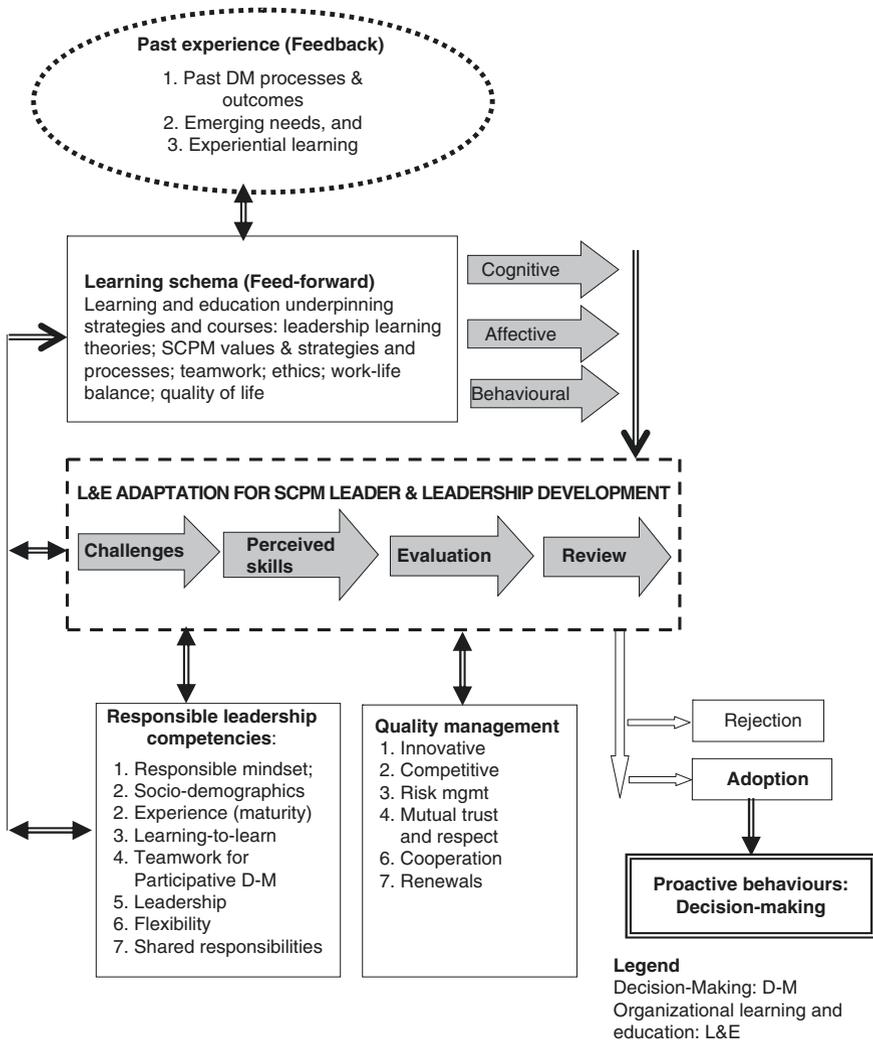
Practitioners are enthusiastic about having more responsibility for their personal and team success. They welcome a practical leadership framework, and theories and meaningful organizational learning and education to support enhancement of their leadership abilities (Mukerji, 2012, 2013). TL seems to fulfill this need of Chinese and Indian leaders.

## **Learning for Innovative Performance: Socio-Cognitive Model**

From synthesis of the SCPM context and the TL concept and process explored in foregoing sections, the need for a new paradigm of proactive leadership appears essential. Broadly, SCPM leadership capacities are

underpinned by six major categories of knowledge: business, technology, strategies, social relationships, professional spirituality, and a leader's individual leadership style, which could be stimulated by carefully structured organizational learning and education programs. In most instances, leadership knowledge is actually transferred, absorbed, and put into practice on an individual level (Antons & Piller, 2015). This could be significantly empowered by motivations for experiential learning from all possible sources, such as observation of how expert stakeholders reflect and articulate key problem dimensions, and analyses of data for proactive decision-making in the context of overall project objectives. TL is holistic, going beyond the theories to innovative interfacing performances with decisions to endure emerging problems and opportunities. The process is concerned not just with 'knowing' about things, but also with evolving the leader's experience of 'self' awareness and the world in which they work and live (Smith, 2012). Learning and education is thus more than simply gaining new knowledge. It also includes creating innovative abilities through experiences and applications that arise from the congruence and configuration of drivers, skill level, and individual leadership styles. Figure 3 illustrates the leadership learning and education process through a partial socio-cognitive model (Pless, Maak, & Stahl, 2011; Jacobs & Klerk, 2007).

The learning and education model (Fig. 3) is based on the work of scholars (e.g., Jacobs & Klerk, 2007; Doh, 2011). The key features of the model include exploring useful feedback from past experience and 'feed-forward' data for the leader and others (e.g., stakeholders), proactive inferences and behaviors based on the SCPM context and process, as well as the leader's individual goals and shared responsibilities. These expectations are founded on the assumption that practitioners are healthy experts who are motivated to learn how to evolve towards their potential best transcendental capacities and rational thinking entities trying to make sense of their social surroundings. This implies that individual team managers will be proactive in receiving, processing, and using information to resolve problems. The model with supporting organizational culture enables proactive decision-making and encourages practitioners with higher expertise to help others with fewer abilities for overall team success (Pless, Maak, & Stahl, 2011; Jacobs & Klerk, 2007). Literature on social and non-social cognition suggests that individuals can learn, store, process, and recall information in a schematic form for sustainable growth and for making innovative decisions based on individual and group attributes (Treville & Antonakis, 2006). This chapter refers to this ability as a part of the 'transcendent' condition. From the organizational system designer's perspective, a socio-cognitive model assists



**Fig. 3** Synthesis of key findings for conceptual socio-cognitive learning model

in the design of computer-supported infrastructure that could better address general issues encountered by distributed collectives, and the specific needs of different groups. The process requires recruitment and deployment of healthy, motivated and talented practitioners.

Leadership capacities for ‘reflection’ and ‘action’ permeate one another to create indivisible, synchronized, and continuous integration of performance. The process stimulates a conscious attempt to grow practitioners’ capacities for effectiveness and innovation in performance, enabling leaders to respond

proactively to the challenges of dynamic environments. By integrating individual and team learning, the pedagogical package can be developed to build individual and stakeholders' capacities to reflect, share experiences, communicate, and coordinate actions, leading to higher organizational maturity. Moreover, a leader's personal development should include character-based ethics and values, which make major differences in building trusting relationships, and in the quality of performance (Hargrove & Sitkin, 2011; Strang & Kunhert, 2009). Furthermore, it is well known that recognition by peers of creative ideas and contributions of individual team members is one of the key aspects of collaborative teamwork. TL will create practitioners' capacities humbleness, confidence, and capacity of appreciation (Nicolas, 2004; Doloi, 2007; Hain et al., 2014). This adds to the value of organizational learning facilities to help practitioners to grow for holistic leadership.

## Transcendent Leadership: Cross-Cultural Validity

Immanuel Kant (1712–1804) and Ralph Waldo Emerson (1803–1882) are considered leading transcendentalists in modern philosophy. Kant was apparently the first important German philosopher to have acquaintance with ancient Indian Vedanta philosophy. Emerson's writings reflected the influence of Eastern religions, but he also developed ideas from Western tradition and the works of Plato, Plotinus, and Aristotle. From Western and Islamic perspectives (e.g., Kluger, 2004; Razavi, 1997), the terms 'transcendental' (adjective) and 'transcendence' (noun) convey the literal meaning (from Latin) of going beyond, albeit with varying connotations in different historical and cultural stages for self-transcendence. Empirical data from scholars' work (e.g., Crossley, Cooper, & Wernsing, 2013; Crossan, Vera, & Nanjad, 2008; Dane & Pratt, 2007; Csikszentmihalyi, 2002) supports the applicability of TL in cross-cultural platforms and the 'leadership of self' as an integral component across levels. Spiritually, the 'transcendent state' reflects the highest level of consciousness of a healthy individual. With professional upbringing and motivation, an individual's mindset will evolve through sustained cultivation of professional spiritual practices. This includes meditations and carefully monitoring one's own mind, freeing it from petty selfishness in favor of constructive thoughts and words, result-oriented actions, critical thinking, and learning from reflections on self and others. From the creativity perspective, in the ultimate transcendent state, it is expected the practitioner will be fully relaxed and will have the capacity to call up all relevant experiences one

has had as an individual point of consciousness. The transcendent state seems to allow interpretation of new problems in the context of total experience, and interaction with team members to make use of the collective consciousness to make the best decisions for creative change. It is within this transcendental aspect of mindset one can proactively understand the objectives and purpose of life and work (e.g., Felder & Silverman, 1988; Puccio, Mance, & Murdock, 2011; Crossly, Cooper, & Wernsing, 2013). The truly transcendent state is rare. However, even above average progress results in significant growth in an individual's performance and ability to transcend increasing problems, maximize opportunities, and achieve bliss, happiness and the capacity for renewal. TL respects 'self-interest' but enables the leader to transcend narrow selfishness to higher levels and direct thoughts to moral and ethical aspects for the greater good of everybody, including the 'self' and the planet. Another key impact of TL is that it creates a high level of trust in the leader, which improves the leader's effectiveness and efficiency in facilitating team members to transcend excessive self-interest and 'marketing self' attitudes, and to garner commitment to progress toward a joint vision and triple bottom line sustainability (Pinto, Slevin, & English, 2009).

The challenges and opportunities inherent in SCPM, and the emphasis on pedagogical behaviors for the evolution of TL capacities, have far-reaching benefits. Nevertheless, facing highly challenging tasks without the required preparation may result in a waste of material and leadership resources, and dysfunctional stress and anxiety. It is important to find a balance between challenge level and perceived skill level. To facilitate performance at their sustainable best, leaders need challenges that are significant and interesting, but they also need well-developed knowledge and competencies, as well as a supportive organizational culture, to achieve the right level of performance (Seltzer, 2013). Thus, the 'transcendent leader' is strategic, interacting constructively with people from diverse cultures and leading within and across levels (Crossan, Vera, & Nanjad, 2008; Dane & Pratt, 2007). TL practitioners take greater responsibility to cultivate relationships and learning in the spirit of righteousness, morality, and caring for the self, others, and the environment. From the essence of the work of scholars, it appears 'professional spirituality', at the very minimum, is the subtle and not easily specifiable awareness that surrounds virtually everything, enabling practitioners to transcend petty self-interest. There is spirituality in nature, in art, in the bonds of love and fellow-feeling that hold a community together, and in the reverence for life and nature that appears to be the key to many philosophies as well as religions. Hence, as it relates to this research, professional spirituality is an expanded form of the self that is devoid of 'selfishness'. The 'spiritual humanists' are concerned with

fusing traditional religious behaviors onto the foundation of scientific humanist inquiry for the well-being of self and others and are committed to diversity, ecology, and respect for those with differing yet humane views (Tanyi, 2002). The terms professional spirituality and spiritual humanism in this chapter embrace this broad understanding and the ethical culture for SCPM leaders. Moreover, transcendent leaders connect proactively with future trends by looking past the inner drive that anchors personal behavior to ego-centric limitations. They focus on how an organization can move beyond just meeting its narrow economic goals and evolve, through ethical and moral leadership, to higher holistic performance for economic prosperity, responsible use of resources, protection of environment, quality of life, and so on, for sustainable competitive advantage. The process strengthens social relationships between the project manager (leader) and expert team members, raising one another to higher levels of performance, greater motivation, morality, and consciousness, reflecting the essence of spiritual humanism. It adopts professional spiritual values such as cross-cultural expertise, learning, and education to create sustainable optimism and continuous performance improvements. Leaders' behaviors and motives make the goals, values, and processes transparent and set exemplary personal examples for others to follow (Avolio & Gardner, 2005). From watching large number of companies trying to transform themselves into significantly better competitors, scholars (Kotter, 1995; Swift & Nodine, 2013) postulate that people spend most of their work time on the job in doing things and only a small fraction of that in formal training. It is obvious that most of the learning for change must occur while they are on the job.

The TL collaborative process promotes problem solving by 'reflection' within (at the solo and subgroup levels), and observing other members' reflections, which serve as insights and motivations for experiential learning and transcending to higher levels of introspection, innovation, and productivity. The core elements of TL are geared toward sustained creation of new knowledge for innovative capacities in (1) secular economic and management competencies; (2) underlying leadership across levels; (3) professional spirituality to infuse higher self-awareness and strengthen leaders' moral (ethical) values; (4) cooperation and coordination amongst an organization's managers and external stakeholders; and (5) masterly facilitation of expert team members for proactive decision-making.

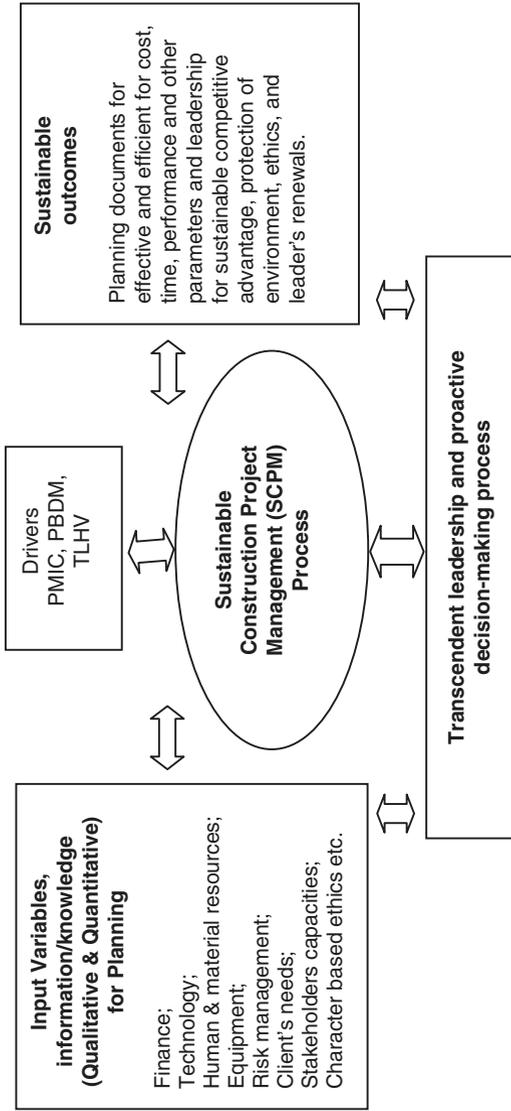
The connection with professional spirituality appears to bring integration of economic knowledge and expertise with faith, hope, peace, care of the environment, and empowerment as required. The results are responsible holistic performance combined with joy, forgiveness of self and others, awareness and acceptance of hardships and mortality, a heightened sense of physical and

emotional well-being, and the ability to transcend beyond the infirmities of existence (Tanyi, 2002). Thus 'spirituality' is a more practical and broader concept than religion. Researchers often endorse the notion of a supreme guiding force and interconnectedness as fundamental components of professional spirituality, including abilities to counter aberrations such as greed, selfishness, ego, and prejudice (Burkhardt, 1989; Tanyi, 2002). The following 'leadership' definitions incorporate empirical evidence and the spiritual dimensions more fully and provide alternatives for practitioners' development of personal styles of TL in the context examined in foregoing sections (Drucker, 2005; Snook, Nohria, & Khurana, 2012; Doh, 2011; Campbell, 2007; Doyle & Smith, 1999).

- (a) 'Leadership' is the ability to influence and masterly facilitate healthy and expert team members, without force, into a particular direction, e.g., proactive decision-making that leaves them still feeling empowered and accomplished. TL provides a holistic vision and motivation, with understanding of the talents and styles of others, so that they work together toward the same goal and effectively motivate each other for team success.
- (b) A true leader is secure in adapting the TL framework to their own leadership style that encourages others to tap into their own experience and ideas and freely contribute to the entire project or company.
- (c) TL involves three critical aspects: (1) listening, inspiring, and empowering by self with TL mindset in setting the bar for transcendence increasingly toward individual highest potential level, that is, 'transcendent' state and then organizational supports for sustainable evolution of great performance and results; (2) knowing when to be in front to lead and guide a team, and when to step back and let others take the lead to fuel aspirations for self-development, innovative performance, and the chances to shine; (3) many people view management as leadership. It's not. TL improves social relationship abilities to harmoniously influence, others across multiple levels of practitioners' roles in lifting others up and working toward a common mission.

## **Sustainable Project Management System and Leadership of Self**

Figure 4 incorporates the practical perspectives of implementing the insights and guidance provided in foregoing sections. It presents a partial framework for the complex organization and practice of the SCPM process, along with driving forces for sustainable outcomes.



Legend:

1. PMIC: Construction Project Management Insight & Capacities;
2. PBDM: Proactive Behaviors in Problem Solving & Decision-Making;
3. TLH self-enhancement for work-life balance and community aspirations e.g., ethical leadership and protection of environment; Transcendent Leadership for Sustainability in Competitive Advantage and Holistic Leadership Values.

Fig. 4 Sustainable project management system: partial framework

This chapter has previously identified strategies and means that can advance leadership to transcendent levels. As discussed the potential outcomes from project management with such leadership include collaborative teamwork, work-life balance, collective expertise in eco-technology, sustainable growth of economics of production, equitable prosperity, responsible use of the planet's resources, elimination of wastage, protection of the environment, and sustainable competitive advantage. Here the 'competitive advantage' becomes truly holistic and sustainable, drawing on the previously unused innovative potential of professionally qualified practitioners. The proposed leadership of 'self' framework, though sophisticated, is easy to understand and includes a flexible modular system that can be adapted by diligent practitioners according to their individual style of leadership and situational needs.

Despite growing leadership literature, there is little attention paid to the critically important element that is the leader's personal development, or 'leadership of self'. This chapter contributes to addressing this gap. Building on the work of scholars (e.g., Crossan, & Mazutis, 2008; Dane & Pratt, 2007; Crossley, Cooper, & Wernsing, 2013; Strang & Kunhert, 2009), this chapter focuses specifically on the integral element of TL that is leadership of self. It is leadership of self that integrates the values and capacities examined in this chapter into the TL framework.

It appears that Confucianism and innate Buddhist values in Chinese culture continue to motivate people to a pedagogical attitude and spiritual behaviors in the family and students manifest an interest in self-development in school and tertiary education. Social values in education contribute to the country's drive for economic growth, and students' individual career needs provide the psychological base and infrastructure for skill acquisition, hard work, patience, and perseverance, which have contributed to the strong economic growth of Confucian societies of China and the East Asian 'Five Dragons': Hong Kong, Japan, Singapore, Korea, and Taiwan (Kyung, 2007; Hofstede & Bond, 1988). India is the world's largest democracy, with an ancient culture, rich spiritual heritage, and traditional practices derived from scores of incoming new cultures, including the significant impact of the UK, which is traditionally distinct yet transcending and interwoven in various ways. The power behind the recent surge in India's economy appears to have been the country's ancient culture, a large education system, and the pressing need to improve the lot of millions of poor people. For instance, the National Council of Rural Institutes aims at Human Resource Development and capacity building education for rural change and contributes to the growth process as a catalyst organization. It interfaces with rural institutes like Rural

Universities, Rural Development Institutes, and self-help groups, which can make lasting difference to the life and living standards of the rural masses (Prabhath, 2011). The TL framework fit in admirably to the national cultures and strategies in both China and India, and would provide effectiveness and satisfying experiences in interaction with community stakeholders.

For an insight on how Indian business leaders drive their organizations to high performance, the author refers to the record of interviews of senior executives of 98 of the largest India-based companies, including Infosys, Reliance, Tata, Mahindra & Mahindra, Aventis Pharma, and others. In conversations with the leaders, a picture emerged of a distinctive Indian model of leadership. None of the people interviewed suggested that their companies had succeeded because of their own cleverness at strategy or even because of the efforts of a top team. They did not mention skill in financial markets, mergers and acquisitions, or deal-making—talents that Western CEOs often claim underpin their companies' performance. Almost without exception, these Indian leaders posit 'their source of competitive advantage lay deep inside their companies, in their people'. Pressed to explain, one of leaders said that he sought enough 'transparency' and 'empowerment' in the company and that 'decisions would be made at the points where the decisions should be made' – that is, by employees, where the company meets the client. These companies are growing even faster than India's red-hot economy (Cappelli et al., 2010).

The work of scholars (e.g., Crossan & Mazutis, 2008; Dane & Pratt, 2007; Crossly, Cooper, & Wernsing, 2013, etc.) emphasizes the importance of a leader's personal attributes similar to those examined for TL is central to breakthrough performance, for evolution of capacities to transcend endemic problems, deal with emerging problems and opportunities for economic competitive advantage, and continue to synthesize eco-technology into sustainable holistic competitive advantage with prosperity for all.

Figure 5 shows the process of sustainable growth of a leader's capacities in five key aspects: governance; organization of strategies for integration of people and processes; eco-technology; leadership processes for planning, decision-making, and teamwork, underpinned by right learning and education, and experience in the TL context; and professional spiritual capacities that balance a leader's perseverance for deep consciousness toward optimal capacities. In this context, the leadership of self is described as the personal capacity for normatively appropriate conduct to transcend through personal *knowledge–thoughts–words–actions* in social relationships, and the promotion of proactive behaviors including character-based ethics, experiential learning,



**Fig. 5** Leadership of 'self': learning and education

and clear communication for planning, decision-making, high performance, and so on (Fehr, Yam, & Dang, 2014; Crossan, Vera, & Nanjad, 2008). However, researchers (e.g., Thomas & Mengel, 2008; Yang, Phelps, & Steensma, 2010) elucidate that leaders are one element of an interactive organizational network that is often bigger than the leadership process. This research recognizes this and suggests the need for greater awareness among top executives of the essential need for proper supporting culture and infrastructure for TL success.

## Conclusions

Infrastructure (engineering) construction projects are often large, highly complex, and critically important for communities' well-being. These projects suffer high rates of failures in China, India, and elsewhere in terms of economic measures, satisfying social aspirations and protection of environment. Based on a significant review of multidisciplinary literature, this chapter posits that project failures arise from engineering projects' own unique sets of issues, including generic elements, such as leadership and governance; management of stakeholders and teams; planning; risks, decision-making; communication; and so on. Often it is a complex set of entwined internal and external problems that cumulatively result in failures.

Engineering projects are unique and practitioners have individualized leadership styles and aspirations. There is no one-size-fits-all solutions to leadership problems.

This chapter contributes a flexible holistic version of TL framework for sustainable construction project management. It allows developing the intrinsic transcendental capacities of healthy, university-educated practitioners, with the support of organizational learning and education, and insights and guidance for them in the chapter to adapt their individual leadership styles for TL processes. The literature endorses the TL process as a way to stimulate practitioners' masterly facilitation of expert internal and external stakeholders, for greater collaboration, proactive planning and decision-making, innovative performance, motivation, morality, and consciousness not only for reduction of project failures but also to deliver triple bottom line sustainability in profitability, people, and protection of the environment.

TL and its benefits are not myths. Rather TL represents a strategic weapon in construction projects of the future and thus contributes to the transformation of economies in India and China, and potentially Asia. Implementing TL requires commitment of the top management, development of supportive organizational culture and a pedagogical framework, as well as rewards for talented practitioners.

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# Leadership in the Transition from a Socialist to a Market Economy: Multi-Stakeholder Perceptions of Business Leadership in Vietnam

Dong Mai Tran, Wayne Fallon,  
and Margaret H. Vickers

## Introduction

While Vietnam is a socialist country with a collectivist culture, it has been in transition toward a more market-oriented economy, but it is still within the control of government. Economic reform has been receptive to foreign investment (Nguyen, 2005), and the country can now be understood to represent a type of market-oriented socialism (Communist Party of Vietnam Central Committee, 2001; Nguyen, 2005; Harm, 2013). One of the fundamental changes in the economy was the development of different forms of enterprise governance, including state-owned enterprises (SOEs), foreign-invested enterprises (FIEs), and privately owned enterprises (POEs).

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However, among these diverse types of organizations, perceptions of leadership have not yet been clearly explored.

Vietnamese business leaders have lacked the knowledge and experience of operating businesses in market-driven economies and using Western management practices (Schermerhorn, 2000; Napier & Thomas, 2004; Napier, 2005). Further, the Marxist-Leninist Vietnamese education system that adopts a centrally planned socialist structure has focused on a production (rather than demand) economy. This has left Vietnamese business leaders insufficiently prepared to engage with Western business models or to compete effectively during international trade (Napier, 2005).

Adoption of some Western business approaches has led to shifts in leadership styles in Vietnam, although this has not been clearly understood. The applicability of Western leadership theories to collectivist cultures, including Vietnam, has been a neglected area of leadership research. The importance and value of leadership is also regarded differently across cultures, but such distinctions are still relatively unknown (House et al., 2004). Leadership research has also neglected the opinions of stakeholders. While stakeholders' perceptions of leadership are known to be complex and uncertain, at least in part due to varying cultural perspectives (House et al., 2004), stakeholders' perceptions of leadership in collectivist cultures have not yet been adequately investigated.

## Literature Review

### Vietnamese Cultural Values

Vietnam is influenced by a number of cultural factors. First, it is a socialist, collectivist culture. Hofstede (2001) developed five cultural dimensions that include power-distance, uncertainty avoidance, individual-collectivism, masculinity-femininity, and future orientation. Hofstede's (2001) model suggests Vietnamese cultural values align with a high collectivism culture (valuing group membership, relationships, and networks), high power distance (showing acceptance of authority, hierarchy), and conservatism and paternalism (Quang, Thang, & Rowley, 2008; Nguyen, 2011).

People management in Vietnam is also complex. With 1,000 years of Chinese domination, characteristics of ancient Chinese philosophies such as

Confucianism are evident (Zhu, Warner, & Rowley, 2007). However, management behaviors in Vietnamese organizations also reflect the influence of Western cultures due to French and American occupations over 100 years. Management behaviors also reflect influences from various cultural perspectives: hierarchy and family orientation from the Chinese culture; individualist influences from the French and American Western perspective; and collective decision-making and responsibility from the Vietnamese socialist perspective (Quang & Thang, 2004; Nguyen, 2005; Nguyen, 2011). These influences can be seen in organizations in Vietnam (Quang & Thang, 2004) and may also influence leadership styles in Vietnamese organizations. However, the impact of Western influences on leadership in Vietnam has not been clearly understood.

## Vietnam's Business Leadership

In Vietnam's current transition toward a market-oriented economy, the development of more Western approaches to business, leadership, and business negotiations has been considered necessary. Vietnamese organizations have faced serious problems due to a lack of leadership skills (Nguyen & Napier, 2000), with many Vietnamese leaders not knowing which leadership approaches are most appropriate and would have the strongest impacts on leaders' reputations (Nguyen, 2002). Leaders in Vietnam have continued to function as state government officials, rather than leaders operating in a Western workplace (Hoang, 2008).

>Vietnamese leadership has been characterized by autocratic and centralized control, following the leadership style of the old centrally planned economy. This hierarchical, top-down approach found most decision-making coming from top management, with instructions to execute being given to followers (Nguyen & Napier, 2000; Hoang, 2008). Further, followers in Vietnam believed their leaders were selected because they had more experience and greater knowledge. Followers also believed it was inappropriate for leaders to refer to lower-ranking individuals for advice when making decisions (Nguyen & Napier, 2000; Thang & Quang, 2005). Unfortunately, continuation of this hierarchical leadership control hindered employees' abilities and flexibility, and stopped them from functioning as effectively as they could (Thang & Quang, 2005). Sharing power is also not emphasized in Vietnam and is evidence of the high power-distance culture where authoritarian leadership remains prevalent (Nguyen, Mujtaba, & Boehmer, 2012).

## Stakeholder Leadership Perceptions

Stakeholders' perceptions of leadership are important. Knowing what shapes followers' perceptions of leadership can help organizations improve leaders' performance and assist them judging the effects of their leadership more accurately (Schyns, Kroon, & Moors, 2008). Vietnamese leaders traditionally develop relationships with followers, identify their desired outcomes, monitor the needs of those achieving results, and endeavor to sustain high levels of personal commitment from stakeholders (Caldwell, Hayes, & Long, 2010). However, how others perceive these leadership approaches is not well understood.

Path-goal theory (House, 1971), the substitutes for leadership theory (Kerr & Jermier, 1978), and the charismatic and transformational leadership theories (Conger & Kanungo, 1998) have emphasized that followers can differ in their perceptions of the attractiveness of the rewards a leader controls; and this, in turn, influences followers' reactions to that leader. Followers have been found to be more satisfied with a leader who they perceived to share similar attributes and values: they perceived this leader would better meet their needs (Ehrhart & Klein, 2001; Yan & Hunt, 2005). However, by viewing followers as 'flammable material' waiting to be ignited by a leader, scholars have sometimes portrayed followers in a limited and passive way (Klein & House, 1995; Den Hartog et al., 1999; Ehrhart & Klein, 2001; Yan & Hunt, 2005; Schyns, Kroon, & Moors, 2008). This has resulted in the role of followers in the leadership process not being sufficiently understood. Thus, there is a need to extend current leadership theories in this regard, especially as it pertains to leadership in Vietnam.

There have been numerous studies of leadership, but these have been in Western countries and based on individualist cultures (Lord, Foti, & de Vader, 1984; Lord & Maher, 1993; Foti & Luch, 1992; Hall & Lord, 1995; Ehrhart & Klein, 2001; Yan & Hunt, 2005; Mehra et al., 2006; Foti, Knee Jr, & Backert, 2008; Wallis, Yammarino, & Feyerherm, 2011). Further, these leadership studies have not investigated perceptions of leadership (Yancey & Watanabe, 2008; Linton & Farrell, 2009; Wong & Chan, 2010; Chua & Lyengar, 2011; Zhao, Tan, & Urhahne, 2011). None has explored the role of multiple stakeholders' perceptions of leadership, nor within collectivist cultures.

Collectivism has also been of particular interest to cross-cultural researchers in recent years (Walumbwa & Lawler, 2003) and different perceptions exist in individualist and collectivist cultures. People in individualist cultures tend to engage in 'context-independent and analytic

perceptual processes by focusing on a salient object independently of its context' (Nisbett & Miyamoto, 2005, p. 467). On the other hand, people in collectivist cultures tend to engage in 'context-dependent and holistic perceptual processes by attending to the relationship between the object and the context' in which the object is located (Nisbett & Miyamoto, 2005, p. 467). Western perceptions of leadership, as determined within individualist cultures and contexts, may not be appropriate to other countries, especially those with collectivist cultures, including Vietnam. There is a need to explore multiple stakeholders' perceptions of leadership in collectivist cultures, such as Vietnam.

## Research Problem

The research problems identified from the literature that guided this study include

- Vietnam has been in transition towards a market-oriented economy, a type of market-oriented socialism (Schermerhorn, 2000; Communist Party of Vietnam Central Committee, 2001; Nguyen, 2005; Harm, 2013).
- Vietnamese organizations have lacked the leadership skills appropriate to a transitioning and increasingly global business economy, such as Vietnam's.
- The way people perceive leadership in Vietnam is not clearly understood.
- The impact of leadership influences from the West, in Vietnam, is not clearly understood.
- Western companies need to better understand their Vietnamese hosts, peers, and stakeholders when doing business in a cross-cultural context.
- Leadership research has investigated Western countries, with individualist cultures. Multiple stakeholders' perspectives on leadership, in collectivist cultures, have not been investigated.
- Leadership studies have often viewed followers in limited and passive ways.

This study explored multiple stakeholders' perceptions of business leadership in Vietnam. The research question asked: 'How do multiple stakeholders perceive business leadership in Vietnam?' Subquestions were also formed:

- Q1: What do multiple stakeholders perceive to be the attributes and skills of valued leaders?
- Q2: What do multiple stakeholders perceive to be the attributes and skills of undesirable leaders?
- Q3: What strategies are leaders perceived to use to influence followers in Vietnam?
- Q4: What leadership styles are perceived to be appropriate in the business context of Vietnam?

## Research Methodology

Due to the lack of current knowledge about leadership, leadership theory, and follower and stakeholder perspectives on leadership in collectivist cultures, especially Vietnam, an exploratory research design was followed to study multiple stakeholders' perceptions of leadership in the country. Given the exploratory nature of this work, a qualitative approach was chosen, with the research conducted from an interpretive social science perspective (Neuman, 2011). The interpretivist paradigm enabled exploration to understand and describe meaningful social action, in this case leadership, and stakeholders' perspectives on that leadership, in the business context of Vietnam.

Methods used aligned with this paradigmatic perspective and included in-depth, semi-structured interviews. Twenty-one interviews were conducted with 8 women and 13 men. Interviews investigated various stakeholder perceptions of leadership, at different levels of management, and in different types of enterprise. Interviews also investigated stakeholder perceptions of Vietnamese business leadership within the context of ongoing national economic and political changes (see Bryman, 2004).

Participants came from a range of industries and organizational sizes (Kramar & Steane, 2012) within Vietnam. Purposive and snowball sampling was used to recruit from seven different stakeholder groups (internal and external to the organizations employing them), including (1) chief executive officers (CEOs); (2) members of boards of directors; (3) department heads; (4) employees; (5) journalists; (6) suppliers; and (7) distributors and members of business associations from Ho Chi Minh City (Table 1).

Purposeful sampling adopted the following selection criteria: (1) each participant was deemed to be either an internal or external stakeholder, based on his or her current occupation; and (2) participants were chosen using a snowballing technique and were working in different industries, to ensure sample diversity.

**Table 1** Types of stakeholders

Stakeholder's roles	Number of participants
<i>Internal stakeholders</i>	
CEOs	7
Members of boards of directors	3
Department heads	3
Staff	3
<i>External stakeholders</i>	
Suppliers or distributors	1
Members of business associations	2
Journalists	2

Interviews lasted from 30 to 60 minutes and, in addition to audio-recording all interviews and transcribing them, the chief investigator strengthened the validity of the transcribed data with note-taking during interviews (Kramar & Steane, 2012). Interviews were conducted in Vietnamese and transcripts were translated from Vietnamese to English. Thematic analysis using manual coding of themes and concepts (see Burnard, 1991; Braun & Clarke, 2006; Creswell, 2009) was undertaken on the English-translated transcripts. Each transcript was worked through to develop a list of themes and subthemes. Then, color and underline highlighting was used to identify texts of relevance to each theme. Coded sections were then extracted for each theme and subtheme, and collected together, and a description was written for each theme (or subtheme) to assist in the analysis and interpretation of the data.

## Findings

There was evidence of complexity in Vietnamese leadership. Participants from SOEs, now having to trade with the West, showed evidence of lacking the expertise they needed to operate businesses in a market-driven economy and using Western management practices. Perceptions of leadership reported tended to reflect the continuing influence of the past command economy and of Confucian values. Vietnamese leaders were perceived as not sharing power and placed value on control, with a leadership style characteristic of a high-power distance culture:

Leaders are always expected to show where the organization will go through clear objectives. Leaders make employees understand general objectives and

make them believe that the organization will arrive at the destination. Leaders must show everyone the whole picture of business objectives, this character of a leader is unique; not many leaders can achieve it. (Member of board 3, p. 2)

A 'we' mentality, a collective perspective, was evident in the Vietnamese leaders. Perceptions of collective decision-making, and selecting and promoting a good leader, were different to the Western literature on leadership. However, as one CEO suggested, reliance on the collective can lead to unhelpful business outcomes. Evidence of the group phenomenon called 'risky shift', and the associated diffusion of responsibility, was reported (Vecchio et al., 1992 p. 431):

The collective makes decisions and of course the collective is responsible for all decisions, but it leads to the fact that no one is responsible. People did not regard the role of individuals' decision and responsibility. It is unvalued, as leaders are decisive but not responsible. When leaders are not responsible, they often say the decisions are made by the collective or that's the consensus of the collective. (CEO 1, p. 2)

On the other hand, participants from POEs and FIEs showed evidence of being strongly influenced by Western leadership approaches. The findings showed that perceptions of both valued and undesirable attributes and skills of leaders were consistent with 1950s and 1960s Western leadership trait and style theories. Leadership attributes that were valued by stakeholders included sharing vision, good communication, collective decision-making, taking responsibility, and exemplary behavior:

Communication skill is considered to be an innate skill of leaders. A leader who has this gift has an endowment that can be used to harmonize internal conflicts and help employees work together and lead them towards what is the best for the company. (CEO 3, p. 2)

The skills of valued leaders were reported as being those of someone who led by example:

A leader must be the epitome of a good leader. For example, I ask my employees to be at work on time, and to attend meetings on time, so I have to do it first. I have to be an example in front of employees in order to win popularity and to have the esteem of employees. (CEO 5, p. 3)

The attributes of undesirable leaders were also aligned to Western views. Traits considered to be negative included arbitrariness, self-interest, nepotism, corruption, and misusing employees' contributions for the leader's own ends:

I think being arbitrary is a bad characteristic of leaders. The leaders believe that they have the right to impose things on other people through their positions. For example, my boss knows that every correspondent can write a good article in one month but he forces us to write three articles. He doesn't have a sense of justice. In other words, he does not put himself into other people's shoes, (Journalist 2, p. 2)

Self-interest, corruption, and nepotism were considered undesirable in Vietnam leaders:

My friend, a CEO of a large state-owned enterprise, has his own private business that receives direct business contracts and orders from the state-owned enterprise where he is the CEO. I can assure you that 60 per cent of privately owned enterprises are 'back-yard' businesses of the leaders in the state-owned enterprises. (Journalist 2, p. 2)

Leaders are willing to forgive mistakes that are caused by their relatives or close relations. By contrast, the employees without these privileges are strictly reprimanded or punished because they make mistakes. It does not motivate the employees' performance. (Staff 2, p. 2)

Misusing another's contributions for the leader's own ends was also considered negative, as in the West:

Bad leaders get benefits from their employees' performance and contribution. Thus, employees do not try their best to work, or do not have motivation to perform effectively. Hence it decreases the effectiveness of organisational performance. (Staff 1, p. 4)

Conversely, and in contrast to Western leadership styles, the boundary of work and personal life in Vietnam was often blurred. Leaders developed personal relationships with their subordinates outside work and, when at work, they demonstrated concern for employees' well-being in order to secure devotion and loyalty.

I take care of employee life. I must care about general matters of employee life in order to satisfy the common demands of my employees. When employees are taken care of, they enjoy collective benefits and work more effectively. (CEO 5, p. 3)

The findings depicted leaders caring deeply for their followers, supporting them outside of work:

Mr Tang Minh Phung passed away but many workers still worship and have altars to him in their houses. In their eyes he was very kind and cared about employee life. Once, Mr Phung visited a driving crew and saw one of the drivers was sad. Mr Phung asked for a reason. The driver explained that his wife did business at the Tan Binh market and was bankrupt. He had to sell his house so he was homeless. He was unstable and depressed at work. Then Mr Phung gave him money and arranged accommodation for his family. So to evaluate a good or bad leader, people do care about how the leader directly treats them. (Journalist 1, p. 3)

Other evidence showed leaders wanting employees to feel comfortable and safe at work:

I don't make employees fear me. My team members should think that they are happy and see me as their friend. Basically, I just want the employees to feel comfortable during the working process. I am one of them; we are in the same boat. (Dept. Head 3, p. 8)

Vietnamese leaders in SOEs showed less concern for organizational performance than Western leaders, and leaders in other enterprises in Vietnam. This difference in leadership style was likely to have been influenced by the past command economy, where the government would have taken care of organizational losses. One CEO from an SOE noted:

The employees are not afraid of firings or job turnover. Whatever they are still doing in the organization, the management system makes people work slowly and lack ambition . . . The employees are not familiar with the market-oriented economic system . . . They don't perform duties and they don't even look at reports when I ask them to provide the reports. It's like a sickness of the body . . . I would like to change the perceptions of the employees and want to adopt task-oriented leadership from the West. (CEO 7, pp. 2–4)

## Discussion and Implications

The study showed some of the complexity of leadership in the Vietnamese business context. The development of more Western approaches to business in Vietnam has led to a change in stakeholders' perceptions of leaders.

Differences between private and SOEs were evident in these perceptions, as were the adoption of more Western approaches to business leadership in Vietnam. Different stakeholders had different perceptions of leaders on the basis of leaders' attributes and skills, and the leadership strategies employed; and these varied between the different types of enterprises. Evidence suggests that leaders in SOEs were relatively passive while in FIEs and POEs leadership was more closely aligned to the West.

The study also identified a Vietnamese leadership style that found a harmonious balance between traditionally Western leadership approaches and Vietnam's collectivism. Leaders were reported to be skillfully engaging at the individual level despite their collectivist context. Some Western leadership approaches were adopted in Vietnam, alongside the need to adjust for the specifics of the Vietnamese business environment, evident in the more caring and family-oriented leadership approaches.

## Conclusion

The findings show how multiple stakeholders perceive leadership in Vietnam and can assist Vietnamese organizations to better understand desired leadership skills and attributes, to assist with recruitment and promotion. The findings can also assist Vietnamese leaders to focus on the needs of stakeholders and learn the skills needed to improve their leadership. The findings will also assist foreign business investors and multinational companies to better understand the cultural implications of dealing with Vietnamese leaders, and vice versa.

The study contributed knowledge of stakeholders' perceptions of SOE leaders in particular, enhancing understanding of the challenges they face adapting to the market-oriented economy, managing an SOE workforce, and enhancing SOE performance and effectiveness. The study also showcased a family-oriented leadership style, noting its connection to the historical context of Vietnam, and its advantages over Western leadership. This is new knowledge about leadership and from a Vietnamese business context.

Future researchers can build on these findings, especially with regard to the role of cultural norms and leadership, in developing economies, and in Vietnam – something not previously included in studies of leadership in the West. This study has contributed a better understanding of leaders and followers in Vietnam, including perceptions of leaders by internal and external stakeholders.

With Vietnam's continuing transition toward a market-oriented economy, leadership in Vietnam is a complex and multifaceted cultural phenomenon and should be continuously explored.

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# Impact of Indigenous Chinese Management Concepts on Leadership Practices

Sue Claire Berning

## Problem and Objective

The rise of China's economy, which began with the 'Reform and Opening-Up' in 1979, led to a steadily increasing number of Chinese firms, Chinese managers, and studies interested in thereto related phenomena. The growing influence and importance of Chinese firms on a global scale not only attracted the attention of international managers and politicians, but also that of business and management scholars.

Numerous studies exist that highlight the unique management style of Chinese firms (e.g., the emphasis on collectivism, power distance, paternalism, and social relations), which is mainly caused by cultural peculiarities (Lockett, 1988; Martinsons & Westwood, 1997; Lam et al., 2012). The majority of these studies applied theories developed by Western scholars in attempts to describe and understand the cultural differences.

The applicability and suitability of Western-based theories to Chinese and other Asian management behavior has become a strongly debated issue among international business scholars (Tsui, 2004; Rugman & Li, 2007; Leung, 2012). For example, the critique of Hofstede's fifth national culture dimension by Fang (2003) carves out its flaws and consequently its

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inappropriateness for examining Chinese management. Going one step further, Pan and colleagues (2011) created a four-factor Structure of Chinese Cultural Traditions Model and demonstrated the discriminant validity with generic domains of values represented by the Schwartz Value Survey.

One promising, but so far largely neglected, approach to investigate the specifics of Chinese and Asian management styles constitutes the research on indigenous management concepts (Chen, 2002; Holtbrügge, 2013; Holtbrügge & Garg, 2016). Scholars like Li (2012) and Meyer (2006) agree upon the growing importance of understanding concepts that are indigenous to one particular culture. This is especially true for Asia considering its rich history, numerous cultures, diverse languages, and manifold customs. However, research showing under which circumstances these cultural and indigenous concepts are relevant is largely missing.

In times of fast and far-reaching economic and social change, as China and Asia have witnessed in the past few decades, leadership plays an important role in organizing processes and outcomes. Leadership behaviors and practices do not only define the relationship between leaders and followers, but also the organizational culture, strategy, and effectiveness (Roth, 1995; Rodsutti & Swierczek, 2002). One key factor and determining antecedent for leadership practices is the socioeconomic context that the organization operates in (Fu et al., 2007; Peng, 2012). Still, mainstream leadership research does not use contextualized theories or constructs (Bass et al., 1997; Huang, 2008).

Against this background, the aim of this chapter is to examine whether, or under which conditions, indigenous Chinese teachings and philosophies are relevant for today's Chinese management behavior. In particular, the impact of indigenous management concepts on Chinese leadership practices is analyzed. As this chapter intends to understand cross-cultural differences in Chinese leadership behaviors through contextualization, it follows the position of Liden (2012) and Ahlstrom et al. (2012) to develop novel ideas and uncover previously understudied constructs.

By focusing on antecedents and outcomes of Chinese leadership, this chapter explores if indigenous management concepts can be related to leadership constructs that are known in the mainstream literature. Notably, the influence of Confucian values and Maoist thoughts on current Chinese business leaders is investigated. The two subsequently arising distinct leadership styles are checked in terms of congruence to the four most widely acknowledged leadership constructs (transactional, transformational, empowering, and ethical leadership).

The remainder of this chapter is as follows: after outlining the relevant theoretical perspectives, the methodology is described. The results are then presented and discussed, which is followed by the conclusion that contains contributions, limitations, and future research directions.

## Indigenous Management Concepts

### Confucianism

Confucianism refers to the teachings of Confucius (Kongfuzi) who lived 551–479 BC. The teachings of Confucius still currently have a profound influence on all aspects of China's life, politics, ethics, and rules of behavior. Hence, they contribute substantially to Chinese philosophical humanism (Slote & De Vos, 1998). It is widely recognized that Confucianism has been the predominant cultural heritage for Chinese people (Fairbank & Reischauer, 1973; Bond & Hwang, 1986; Bell, 2008).

The primary concern of Confucianism, as a humanitarian philosophy, is to establish a good society based on an ethical government and harmonious human relations. At the core of Confucianism lies the concept of harmony (和 *he*) (Li, 2008). Within a hierarchical structure, benevolence, consideration, and reciprocity are the means to achieve the ideal state (Chai & Rhee, 2010). Two important features of Confucianism are moral discipline and moral self-cultivation in the process of social development and gaining of stability (Zheng, 1997). As Confucianism focuses on the cultivation of virtue and the training of superior character and behavior, the use of moral principles and persuasion is promoted rather than punishment and force (Smith, 1973).

Within the realm of management and leadership research, the relevance of Confucianism is acknowledged. An array of Confucian values such as harmony, hierarchy, filial piety, conformity, face saving, reciprocity, loyalty, morality, and submission to authority have been examined with respect to Chinese management. Their major impact was identified on Chinese human resource management (Warner, 2009), on conflict management (Zhang et al., 2005), on change management (Lin & Ho, 2009), and especially on leadership behavior and practices (Tsui, 2004; Lin, 2010).

One of the key findings of these studies is that China currently faces a number of paradoxes due to the ongoing validity of ancient Chinese values and the coexistence of modern changes. For instance, Faure & Fang (2008) analyzed eight pairs of paradoxical Chinese values referring to business and

society at large, e.g., guanxi versus professionalism, thrift versus materialism, respect for hierarchy versus respect for competence, and traditional creeds versus modern approaches. They argue that China can handle these situations without difficulty because of its single most important cultural characteristic, the ability to manage paradoxes, which is anchored in the Chinese classical thinking of Yin-Yang.

One very good illustration of this ability to manage paradoxes smoothly is the coexistence of Confucianism and Maoism in China today.

## **Maoism**

Maoism, also known as Mao Zedong Thought, is founded on Marxism-Leninism and became the ideological basis of the Chinese government after the establishment of the People's Republic of China in 1949. Mao was fascinated by Lenin's ability to initiate a revolution, not through a working-class proletariat as envisioned by Marx, but with little industry and a small proletariat within an agrarian context (Joseph, 2010). Mao did not only adopt the Marxist-Leninist ideas, but adapted them to the Chinese society and developed an original theory of the right relationship between internal contradiction and external causation in the development of things (Wu, 1975). In order to achieve social equality and to eliminate social hierarchy, Mao launched a series of campaigns in 1958. For him, a human life was trivial and meaningless unless it was imbued with a communist consciousness and devoted to the revolutionary movement (Meisner, 1986).

The essence of Maoism centers on the philosophy of dialectics, i.e., struggle, conflict, clash, tension, and revolution (McDonald, 2011), which implies that one force meets and overcomes another. According to the dialectic philosophy, certain parts or even the whole system would have to be destroyed and replaced. Central to Maoism is the concept of 'struggle', which can be found in both Mao's early writings and in his later published 'Quotations of Chairman Mao' (1966). Mao stressed collectivism as a cardinal tenet principle of communism and emphasized that individualism, egoism, and liberalism were extremely harmful to the revolutionary collective (Joseph, 2010).

Research on the impact of Maoism on China's current businesspeople has been done, with several findings that confirm that Mao Zedong Thought is still highly relevant today. For example, by examining 15 Chinese CEOs, Li and Yeh (2007) found evidence that Mao's teachings for management ideas continue to starkly influence their behavior. Similarly, Melvin (2007) argues that careful understanding of Mao's core principles is essential for

successfully doing business in China. Moreover, McDonald (2011) detected that Maoism is instrumental in the thinking and behavior of modern Chinese business leaders. The analysis of values and ideologies on Chinese managers and leaders revealed the importance of recognizing the lasting impact of Maoism in a new Chinese 'socialist market economy' (Yang & Stening, 2013).

## Leadership Constructs

A large portion of contemporary leadership research focuses on the antecedents and the effects leadership has on followers and in performance. Unique behavioral forms and styles of leadership with distinct impacts are distinguished, with transactional, transformational, empowering, and ethical leadership being among the most widely acknowledged.

### Transactional Leadership

Transactional leadership is an exchange process between the leader and the follower. The follower agrees to fulfill contractual obligations in exchange for rewards from the leader (Bass et al., 1997). The rewards encompass resources and recognition, and are provided contingent on followers successfully carrying out their role and assignments (Podsakoff et al., 1982). Transactional leadership clarifies goals and expectations, as well as offers material and psychological rewards in case of achievement. The leader's tasks are to specify the compliance and performance standards, as well as to set the rules and procedures for ineffective performance and punishment (Lowe et al., 1996). Furthermore, monitoring and controlling are crucial duties that enable fast intervening in case of non-compliance. Consequences of these well-defined roles of leaders and followers are a top-down philosophy of control, centralized decision-making, and hierarchical structures (Manz & Sims, 1987). Previous research has shown that transactional leadership is positively related to followers' commitment, satisfaction, and performance (Bycio et al., 1995; Goodwin et al., 2001).

The following three factors are commonly used for measuring transactional leadership: contingent reward leadership (i.e., constructive transactions), active management by exception (i.e., active corrective transactions), and passive management by exception (i.e., passive corrective transactions) (Bass et al., 1997; Goodwin et al., 2001; Antonakis et al., 2003).

## **Transformational Leadership**

Transformational leadership is proactive, raises follower awareness for transcendent collective interests, and helps followers to achieve extraordinary goals (Burns, 1978). The focus is placed on evoking superordinate performance from followers through a transcendence of self-interested behavior. This is done by appealing to higher needs for self-actualization, deeply held personal values, and implicit motivations of followers (Avolio & Bass, 1991). The leader is respected, admired, and trusted. His behavior inspires and motivates by providing meaningful and challenging work to his followers (Venkataraman & Van de Ven, 1998). The leader encourages his followers to be innovative and creative in their problem-solving efforts, and he pays attention to each individual's need for achievement and growth (Hater & Bass, 1988). Studies on transformational leadership have revealed a positive and significant correlation with organizational citizenship behaviors and performance (Thomas, 1988; Wang & Howell, 2010).

The following three factors are generally used as measures for transformational leadership: idealized influence (of the charismatic leader), inspirational motivation (i.e., enthusiasm and optimism are displayed), intellectual stimulation (i.e., to think creatively), and individualized consideration (i.e., advising and supporting the individual) (Shamir et al., 1993; Hunt, 1999).

## **Empowering Leadership**

As a response to growing national and international economic competition, many companies have undertaken drastic structural changes. For instance, examples exist of companies that have replaced their hierarchical management with empowering leadership in order to increase overall flexibility and efficiency (Conger, 1989). Empowerment refers to an increase in self-management and self-efficacy at the individual level. Accordingly, companies will shed their hierarchical structure in favor of flat organizations with semi-autonomous work units and teams (Lawler, 1992). Duties such as directing and controlling work are performed directly by the empowered team itself. The leader's role and responsibilities include supporting the teams, encouraging self-management, and promoting empowerment (Walton & Hackman, 1986). Moreover, leaders are required to model appropriate behavior, provide social and emotional encouragement, build trust and openness, encourage self-reinforcement, provide the information and resources necessary to complete tasks, encourage self-goal setting, and provide and communicate a vision (Bennis & Nanus, 1985;

Liden & Tewksbury, 1995). Studies on empowering leadership have found a positive correlation with knowledge sharing, team efficacy, intrinsic motivation, and innovative behavior. This in turn has a positive influence on performance (Srivastava & Bartol, 2006; Chen et al., 2011).

The following four factors measure empowering leadership: coaching (i.e., educate and help followers to become self-reliant), informing (i.e., explain company decisions and goals), showing concern (i.e., demonstrate a caring attitude), and interacting with the team (i.e., working together closely) (Cohen et al., 1997; Arnold et al., 2000).

## Ethical Leadership

Ethical leadership is a relatively new construct (Brown et al., 2005). It concentrates on the question of whether followers' behavior is influenced by the ethical behavior of the leader. The three main components of ethical leadership are being an ethical example, treating people fairly and actively managing morality (Detert et al., 2007). The first two are reflected in the 'moral person' part of ethical leadership, whereas an ethical leader is defined as having desirable characteristics such as being fair and trustworthy. The third component is captured by the 'moral manager' part, whereby ethical leaders encourage normative behavior via rewards and discourage unethical behavior through punishment (Brown & Trevino, 2006). Ethical leaders act in ways that demonstrate moral traits and prosocial behaviors such as charitable giving or dispraising unethical behaviors. Furthermore, leaders must act in ways that show their responsiveness to the needs and interests of others (Aquino & Reed, 2002). The self-regulatory mechanisms that are rooted in people's internalized notions of right and wrong play a decisive role (Lapsley & Lasky, 2001). Several studies have shown that followers' behavior is influenced by leaders' ethical behavior (Erhart, 2004) and that this can be linked to performance and outcomes (LePine et al., 2008; Walumbwa et al., 2011).

Ethical leadership can be measured by the following two factors: moral person (i.e., internalization and symbolization) and moral manager (i.e., reactions to un/ethical followers' behaviors) (Detert et al., 2007; Mayer et al., 2012).

## Methodology

In order to explore the relationships between Chinese indigenous concepts and leadership styles, this study follows an exploratory and qualitative approach. A content analysis aimed at revealing distinct patterns and

relationships was conducted. As the objective of this chapter is first to consider and capture the socioeconomic context, as well as the complexity and richness of this phenomenon, this qualitative research methodology was deliberately chosen (Mays & Pope, 1995; Stemler, 2001).

## Data Collection

The data of this study were collected from different sources. As a starting point, the 'Biographical Dictionary of New Chinese Entrepreneurs and Business Leaders' edited by Zhang and Alon (2009) was used. This detailed compilation, created by more than 40 Chinese and Western scholars, contains information on the top 200 Chinese business leaders who were instrumental in China's economic growth since the 1979 reform era. As the focus of this chapter is on leadership practices, high-ranking government officials and chief economists were excluded from the analysis. The resultant data set encompasses 142 entries. Each entry covers 400–1,000 words and includes data about the individual's career, life story, roles, and accomplishments. Furthermore, to gather more relevant information about these 142 Chinese business leaders, we searched for published articles, reports, company websites, announcements, news, and press releases from the German, European, and American media. To further enrich the data, the same information sources were screened in the Chinese media. This additional form of data collection differentiates this study from previous research in this field as it represents a more emic approach and enables the inclusion of insiders' perspectives and culture-specific nuances. In total, 297 pages of text from Chinese sources and 388 pages of text from Western sources were processed and analyzed.

## Data Processing and Analysis

For the content analysis, the data were processed with the qualitative data analysis software QSR NVivo. The advantage of this software is the comprehensive management of qualitative data from multiple sources, while keeping each coded element in its context. The following coding scheme was established for the systematic conversion of business leaders' descriptions into comparable variables. First, following the deductive approach codes from theoretical and empirical studies on Confucianism, Maoism, and the four described leadership constructs were created. Second, the codes were complemented by the inductive approach with

codes for passages and statements that were repeatedly and specifically highlighted (Fereday & Muir-Cochrane, 2006). Table 1 shows all codes in a frequency-based order.

For each of the 142 cases, the most frequently found code along with its two strongest related codes was used for categorizing the business leaders into either a Confucian or Maoist behavior. The same procedure was executed for classifying the leadership practices of the 142 business leaders into transactional, transformational, ethical, or empowering leadership. This data processing enabled the detection of similarities, differences, overlaps, and patterns.

## Findings and Discussion

In order to provide a systematic overview, this section first presents the findings regarding the indigenous concepts, and second regarding the leadership practices. As a basis for both, the descriptives of the sample are shown in Table 2.

As to the impact of indigenous Chinese concepts, two clear patterns could be identified. Of the 142 cases, 62 are starkly influenced by traditional Confucian values. They emphasize the importance of harmony, loyalty, and education. Despite their remarkable achievements, these individuals prefer to keep a low-profile and follow a modest and philanthropic lifestyle. They value prosocial behavior highly and are mainly driven by moral discipline.

On the other hand, 68 cases demonstrate strong and exclusive indicators of Maoist thoughts. The codes most often found here encompass struggle, conflict, and revolution. Their predominant characteristics are iron determination, fierce competition, and lifelong fighting. They mostly use aggressive and unyielding tactics to accomplish their goals.

One outstanding finding is the almost equal distribution of Confucian and Maoist influence across the sample. This underlines the notion of Chinese and Western scholars (Fang, 2003; Deng & Kennedy, 2010) that the ability to embrace seemingly paradoxical situations is much more of an Asian cultural inclination. Two prominent examples hereof are the current coexistence in China of market-economy and socialist elements, or the political 'One country – two systems' directive that is currently in force in Hong Kong.

Another interesting finding is that the classification into Confucian and Maoist behavior is independent from education, gender, international experience, industry, firm ownership type, and party membership. However, age is a

Table 1 Coding scheme

Construct	Codes	Frequency	Codes	Frequency
<b>Confucianism</b>	Harmony	106	Reciprocity	54
	Moral discipline	91	Education	50
	Moral self-cultivation	80	Conformity	32
	Hierarchy	67	Benevolence	31
	Loyalty	59	Consideration	12
<b>Maoism</b>	Struggle	127	Clash	61
	Conflict	102	Dialectics	49
	Revolution	97	Tension	42
	Collectivism	90	Fight	38
	Communism	84	Military vocabulary	21
<b>Transactional</b>	Exchange	98	Contingent	52
	Obligations	85	Hierarchy	50
	Rewards	77	Corrective	41
	Control	70	Compliance	34
	Centralization	67		
<b>Transformational</b>	Collective interest	91	Enthusiasm	42
	Transcendence	78	Inspirational	27
	Superordinate goal	69	Innovative	23
	Idealized leader	61	Individualized consideration	-
<b>Empowering</b>	Self-management	67	Explaining	22
	Educating	60	Caring	18
	Coaching	41	Role model	11
	Self-reinforcement	38	Interacting	-
	Intrinsic motivation	30		
<b>Ethical</b>	Morality	102	Symbolization	51
	Self-regulation	89	Fair	40
	Normative behavior	78	Prosocial	32
	Internalization	70	Trustworthy	29
	Moral traits	67		

**Table 2** Sample descriptives ( $N = 142$ )

Criteria	Frequency	Percent
Gender (male/female)	132/10	92/8
Age (born before 1965/born after 1965)	120/22	84/16
Tertiary education	103	72
International experience	40	28
Industry (manufacturing/service)	61/81	43/57
Firm ownership (SOE /POE)	93/49	65/35
Communist party member	105	74
Confucian influence	62	44
Maoist influence	68	48
Hybrid form	12	8
Transactional leadership	46	33
Transformational leadership	29	20
Ethical leadership	44	31
Empowering leadership	23	16

crucial factor. Younger business leaders, those born after 1965, tend to be more frequently influenced by Confucianism or exhibit more hybrid characteristics. This finding is in line with previous studies (McDonald, 2011; Yang & Stening, 2013), and may be advocated to the fact that the older generation of business leaders had to go through hard and devastating experiences during the cultural revolution (1966–1976). Additionally, the emergence of young internationally educated, entrepreneurial business leaders who are less culturally bound and hence influenced is a worldwide phenomenon described as development of ‘global subcultures’ (Marsella, 1998).

These results further reveal, through a more emic approach, the importance of considering contextual conditions when examining antecedents, determinants, and outcomes of management practices. In particular, taking both cultural and political influences alike into account may broaden the understanding of the relationships between leaders and followers, as well as of business practices in transforming economies.

Regarding leadership practices, the content analysis depicts two important results. First, all 142 Chinese cases could be clearly categorized into one of the four Western-literature-based leadership styles due to the possession of at least five of the main features of the respective leadership construct. Transactional leadership was most often found (46 cases), followed by ethical (44 cases) and transformational leadership (29 cases). Finally, empowering leadership is found in just 23 cases.

The most frequently found codes are obligations, control, and centralization, whereas the leadership style of the 46 transactional leaders is characterized by strict hierarchies, contingent rewards, and a paternalistic management. Rules and punishment are the most important steering instruments. The 29 transformational leaders are illustrative examples of idealized, iconic leaders who are motivated by collective interests above all. The good for the company, whole industry, and entire country is the superordinate goal, which is achieved by continuous efforts of the complete community. The 44 ethical leaders pursue a highly moral, trustworthy, and self-regulated leadership style. They are perceived as symbolic role models that encourage their followers to normative behaviors through actively supporting sharing and donating. The 23 empowering leaders highlight self-management, educating, and intrinsic motivation. Recruiting talented staff and promoting their skills via targeted measures is their main aim.

Second, the detailed analysis identifies two clear converging and diverging patterns. The transactional and transformational leaderships are almost exclusively found in cases with Maoist leaders (94%), while the ethical and empowering leadership practices are only assignable to Confucian leaders. The large overlap of the main six codes of each leadership construct with the respective indigenous concept is similar to both patterns. Only the codes 'individualized consideration' and 'interacting' could not be found, which may be connected to the extraordinarily high importance of power distance in China (Kirkman et al., 2009).

These findings provide evidence that indigenous Chinese concepts can indeed be related to existing leadership constructs to a certain extent. Therefore, this chapter contributes to China-specific research and supports the notion that traditional theoretical perspectives need to be modified to include different angles to explain current emerging market phenomena.

## Conclusions

By following a more context-specific and emic approach, this study examines idiosyncrasies of Chinese management and links them to existing theoretical concepts. The detection of Confucian and Maoist leadership styles reveals the relevance and impact of indigenous concepts on modern business practices. Additionally, the importance of extending the consideration of institutions on management behavior is pointed out. More specifically, the

interplay between institutions and firms should be extended to the individual level to the interplay between institutions and managers.

Furthermore, future studies could continue this research by collecting primary data in order to include other variables such as individual motivation or institutional pressures. Finally, business leaders from other emerging countries such as India, Vietnam, or Indonesia should be analyzed in order to make comparisons possible.

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# Part VII

## Leadership Development and Planning

# A Conceptual Framework for SME Leader Development in Singapore

Titus Ng

## Introduction

As in many other Asian countries, small and medium enterprises (SMEs) are the backbone of Singapore's economy, with around 188,800 enterprises, comprising of 99% of all enterprises, and employing 65% of the workforce (OECD, 2010; Singapore, 2016). In Singapore, SMEs are defined as businesses with annual sales turnover of not more than S\$100 million or employing no more than 200 staff (SPRING, 2011). Singapore SMEs face three key contextual challenges: first, a risk-averse national culture that results in a smaller proportion of risk-taking individuals who are willing to start or join SMEs (Chang, 2003; Hofstede & Pedersen, 2002; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Li, Ngin, & Teo, 2007); second, SMEs face intense market competition from well-established foreign multinational corporations (MNCs), and government-linked companies (Chang, 2003; Li et al., 2007; Wee, 2013); third, a labor shortage resulting from recent changes in government policies (MOM, 2013) that exacerbated the SMEs' struggle to compete for talent (Ching, 2013; Heng, 2012; SBF, 2012).

Though previous studies have shown that effective leadership is critical to success (Ghosh, Liang, Meng, & Chan, 2001; Harold, Gurpreet Singh, & Sajid, 2011; Huck & McEwen, 1991; Ibrahim & Goodwin, 1986),

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Singaporean SMEs have not been able to develop enough effective leaders to meet the challenges and support business growth (Ching, 2013; Tan, 2013). One reason for this is that current leadership development initiatives proposed by the government are modeled on practices that have proved to be effective for Western multinationals (SPRING, 2015; Teng, 2015), although these face very different meso- (organizational) and macro-level (external environmental) challenges.

The following literature review covers an overview of Singapore's culture and economy, and extant research on leadership development in SMEs. Subsequently, the description and rationalization will be reviewed for a proposed conceptual framework through which leadership development needs in Singaporean SMEs can be identified and understood.

## Literature Review

### Singapore: Context and Culture

Singapore possesses a unique combination of Eastern and Western cultures (Lee, 2010; Li et al., 2007) and in the words of Trocki (2006, p. 213) a 'paradox', embracing both free trade and a 'culture of control'. Some argue that therefore Singapore's culture is rooted in Confucian values. On the one hand, the government's rule seems to 'fit the Confucian adage that a ruler commands absolute loyalty and compliance among his subjects, as long as he is intelligent, just and devoted to their welfare and protection' (Gan, Morgan, & Sheldon, 2012, p. 4).

On the other hand, Singapore is also heavily influenced by both Malays and British, given that many of Singapore's first-generation leaders are British-educated Peranakans, who are a distinct ethnic group of Chinese and Malay descent (Li et al., 2007). The mix of cultural influences and historical circumstances gives rise to a Singaporean society that is pragmatic and meritocratic, founded on the leaders' 'insistence on sound public administration, education and the rule of the law' (Backman, 2006, p. 93). Lee (2010, p. 4) argued that the notion of pragmatism driving the policymaking of Singapore is defined by a single criterion: 'whether the policy will stimulate or retard economic growth'.

Based on results from the GLOBE study of 62 societies (House et al., 2004), Singapore is classified under the Confucian-Asian cluster, together with Hong Kong, China, South Korea, Taiwan, and Japan. However, even within the cluster, Singapore exhibits unique characteristics. For example, the country is ranked first among 61 countries in terms of Future Orientation; second in Performance Orientation; third in Uncertainty

Avoidance; and fourth in Institutional Collectivism (Li et al., 2007). The extremely high scores in these dimensions suggest a societal culture that emphasizes achievement (Performance Orientation) – not through risk-taking (Uncertainty Avoidance) but rather through meticulous and long-term planning (Future Orientation) that requires group integration and observance to institutional goals and values (Institutional Collectivism) (Hofstede & Pedersen, 2002; House et al., 2004). This stands in contrast to the lower Uncertainty Avoidance ranking for Hong Kong and Taiwan, which explains their higher level of entrepreneurial activity, as well as lower Performance Orientation ranking for China and Taiwan (Li et al., 2007).

Comparison between Singapore and other Asian countries in terms of SME failure rates suggests a lower level of entrepreneurial success in Singapore. A 2011 survey of 2,500 Singapore SMEs (Quah, 2014) found that nearly half fail within four years, which equates to a 12.5% annual failure rate, compared with a 6.25% failure rate in Korea and 6% in Taiwan. While R&D expenditure has grown sizably over the years, the growth in number of patent applications by Singaporean residents is considerably lower compared to most other Asian countries (Sato, 2013).

Table 1 (Sato, 2013) provides a comparison between Singapore, Malaysia, Indonesia, and China in terms of R&D expenditure (% of GDP) and the percentage growth in patent applications by their residents. These figures point to the continuing lack of success in encouraging entrepreneurial undertakings despite ever-increasing government efforts.

This situation corresponds with JHY Chang's (2003) observation that the culture in Singapore does not facilitate entrepreneurial success. The author opined that:

First, elitism, together with its logical companion of high demand for conformity and compliance from the subordinate, has led to the emergence of a considerable level of passivity, excessive dependence, and lack of grand ambition, strong desire for self-realization, critical and constructive imagination, and courage for entrepreneurial undertaking. (Chang, 2003, p. 98)

**Table 1** R&D expenditure versus growth in patents

	Singapore (%)	Malaysia (%)	Indonesia (%)	China (%)
R&D expenditure (% of GDP) in 2008	2.66	0.63	0.08	1.47
Percentage growth in patent applications by residents (from 2005 to 2010)	57	136	120	213

## Leadership Development in SMEs

It has been estimated that global investment in leadership development and training is in the range of \$10–50 billion per year (Gomez, 2007; Hannah & Avolio, 2010; Mason, Griffin, & Parker, 2014; Raelin, 2004). However, there is the sense that researchers do not fully understand the link between leadership programs and the actual performance of leaders (Gentry, Eckert, Munusamy, Stawiski, & Martin, 2013), with a considerable number of leaders even having lower ratings on leadership effectiveness after leadership training (Mason, Griffin, & Parker, 2014).

Raelin (2004) observed that most leadership training takes a ‘shopping-list’ approach whereby the participants are trained with a list of leadership attributes that they often find unusable when they return to their organizations, either because no one else adopts the same attributes or because what was learned simply does not fit with the organization. As a result, there are increasing calls for a more critical approach to teaching and developing leadership (Cunliffe, 2009; Sinclair, 2007).

Gurdjian, Halbeisen, and Lane (2014) contend that the top reason for ineffective leadership development programs is the failure to understand the context within which the development occurs. Osborn, Hunt, and Jauch (2002, p. 797) put it this way:

Leadership and its effectiveness, in large part, is dependent upon the context. Change the context and leadership changes as does what is sought and whether specific leadership patterns are considered effective.

It is therefore pertinent to examine the context of Singaporean SMEs in order to design leadership development programs that would serve their needs and mirror their realities (Perren & Grant, 2001).

Unsurprisingly, when Harold et al. (2011) conducted a study examining the potential success and failure of SMEs in Singapore, they found that one of the most important factors is the availability of top managers who have good leadership qualities. This is supported by a recent study commissioned by the Manpower Ministry of Singapore on talent management practices of Singapore companies, which reported that ‘identifying and grooming leaders gave the biggest boost to business performance of all aspects of talent management’ (Tan, 2013).

However, because of the dominating presence of large government-linked corporations and foreign companies, the government’s attempts at developing SMEs’ leadership and management capabilities are often fashioned

according to the best practices of these large corporations. One example is the Advanced Management Program by SPRING (2011), the Singapore government agency overseeing SMEs. It offers Masters of Business Administration programs for senior and middle managers of SMEs (Ching, 2013), despite the fact that SMEs typically do not have the time, nor financial resources for development programs such as this (Ates, 2013). Likewise, Tan (2007) noted a long process of getting the government to change the accounting standards for Singaporean SMEs, which were inaptly based on the compliance standards for large corporations.

Leadership development for SMEs has to start with a different premise from that of the big companies.

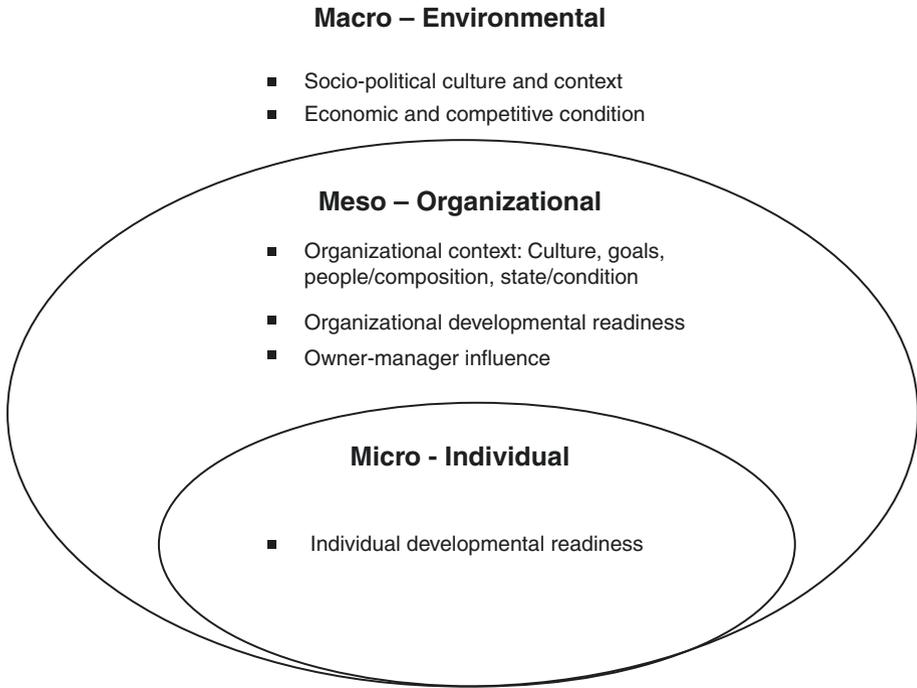
I'm convinced that the way of life of a small firm is so different from the culture of the medium-sized or large organization that the management manual has little to say of relevance, and even less that is acceptable, to the small business. (Stewart, 2009, p. 135)

Furthermore, Storey (2004) found that small firms are far less likely to engage in any formal training and development than are large organizations. Also, Westhead and Storey (1997) suggested that managers or employees are less likely to receive training if they work in a small, rather than a large firm. Gray and Mabey (2005) supported these findings in their study of 191 SMEs in which 71% of those surveyed admitted to having no formal management development policy.

## Proposed Conceptual Framework for SME Leadership Development in Singapore

This study proposes that leadership development in Singaporean SMEs should begin with understanding and identifying the developmental needs, through the lens of the proposed framework, which contains three levels as illustrated in Fig. 1.

First, the macro (environmental) level needs to be considered. This level involves the socio-political national culture and context in Singapore, and the economic and competitive conditions faced by the SMEs operating in Singapore. Second, the meso (organizational) level, which includes the individual organizational context, organizational developmental readiness, and the owner-manager's influence, needs to be understood and addressed.



**Fig. 1** Conceptual framework for SME leadership development in Singapore

Third, in the micro (individual) level, the individual's developmental readiness needs to be considered.

The first two levels mirror the societal and organizational levels of analysis used in the GLOBE culture and leadership study of 62 societies (House et al., 2004). The key difference between the GLOBE analysis and the framework being proposed here is the inclusion of political, economic, and competitive considerations in the first level.

## Macro (Environmental) Considerations

### Socio-Political Culture and Context

House et al. (2004) have confirmed with strong empirical evidence what perhaps many practitioners may already intuitively know: that while there appears to be universally accepted leadership practices, each culture has its own beliefs concerning effective leadership and organizational practices. This

section of the chapter provides a brief discussion on the interpretation of effective leadership in Singapore.

Low (2006) made a strong argument that the pervasiveness of the Singapore government in leading businesses and industries has shaped the way business leaders perceive leadership in Singapore. The author went on to postulate that the Singapore government practices ‘Father leadership’, which is a concept loosely defined with words such as ‘paternal’, ‘valuing of experience and seniority’ (p. 92), and the ‘preferred management style is that of firm control and at times, explicit direction but essentially doing good for the society’ (p. 93).

The concept of ‘Father leadership’ may be a result of the influence of Confucianism, which was often espoused by the first prime minister of Singapore, Lee Kuan Yew, as having the ethics of hard work and thrift, with leaders being both able and virtuous (Chwee Huat, 1989). This is supported by the observation by Moran, Abramson, and Moran (2014) on the Singaporean business culture’s emphasis on honesty, loyalty, and work ethic. As a result, many SME leaders practice the father leadership, as most business owners are Chinese (Tan & Torrington, 1998), and they share the same Confucianism heritage (Low, 2006).

Lee Kuan Yew and his government had an unparalleled influence on the people of Singapore (Lee, 2010). During his passing in procession in 2015, ‘Hundreds of thousands lined up day and night to pay respects at Parliament House and at community tribute sites’ (Shea, 2015, para. 14). The ‘Father of Singapore’ once proudly stated in his memoirs ‘If Singapore is a nanny state, then I am proud to have fostered one’ (Abdoolcarim, 2015, para. 7).

Low (2006) cited two examples of the interventionist approach of the Singapore government in the lives of constituents like no other governments in the world. First, concerned with the lower birth rate and increasing numbers of graduates opting to remain single, the Singapore government created the Social Development Unit (SDU) in 1984 to correct the trend by providing opportunities for graduate men and women to meet through talks, courses, workshops, dances, parties, dinners, local outings, and overseas trips as well as digital matchmaking services (SDU, 1991). SDU has been renamed in 2009 as Social Development Network (<https://app.sdn.sg/default.aspx>).

Second, reflecting their firm belief that graduates produce better babies, the Singapore government announced a graduate mothers’ scheme that granted privileges to children of graduate mothers. Less-educated, low-income mothers under 30 years of age were given \$10,000

if they themselves sterilized after their first or second child (Low, 2006, p. 97).

These policies appear to have originated with then Prime Minister Lee Kuan Yew, who strongly believed that intelligence is hereditary, which was mentioned in his book *Hard Truths* published in 2011:

When the graduate man does not want to marry a graduate woman, I tell him, he's a fool, stupid. You marry a non-graduate, you're going to have problems, some children bright, some not bright. You'll be tearing your hair out. (Chua & Chang, 2015, para. 52)

During the focus group discussions in the GLOBE study (House et al., 2004), when asked about an 'outstanding leader' they had in mind, many Singaporean participants mentioned Lee Kuan Yew (Li et al., 2007). Predictably, the Singaporean participants from the focus groups facilitated by Li et al. (2007, pp. 962–963) said that the qualities of capable leaders in Singapore were 'hardworking, knowing how to identify and taking advantage of opportunities, and overcoming great difficulties to achieve great successes in their business'; whereas qualities of an outstanding leader included 'being visionary, making unpopular but farsighted decisions, and overcoming great difficulties to achieve success'. These descriptions mirrored how Lee Kuan Yew was described by global leaders. Former UK Prime Minister Lady Margaret Thatcher was reported to have admired him for 'the strength of his convictions, the clarity of his views, the directness of his speech and his vision of the way ahead', and US President Barack Obama described him as 'visionary', 'a devoted public servant and remarkable leader' ('Tributes pour in', 2015)

In leadership development, there is often a danger of trying to develop others into carbon copies of successful leaders. Amgen CEO and President, Kevin Sharer, who worked for General Electric as Jack Welch's assistant in the 1980s, said:

Everyone wanted to be like Jack. Leadership has many voices. You need to be who you are, not try to emulate somebody else. (George, Sims, McLean, & Mayer, 2007, p. 130)

In Singapore, Lee Kuan Yew and his government provided a strong version of leadership, which till this day holds wide influence over how Singaporeans define effective leadership, with emphasis on developing leaders

with similar characteristics to Lee Kuan Yew without regard for authenticity and appropriateness.

Authentic leaders are originals, not copies. This does not mean that they are necessarily unique or very different from each other in their personality traits. Furthermore, their values, convictions, cause or mission may be similar in content to those of other leaders and followers. However, the process through which they have arrived at these convictions and causes is not a process of imitation. Rather, they have internalized them on the basis of their own personal experiences. They hold their values to be true not because these values are socially or politically appropriate, but because they have experienced them to be true. (Shamir & Eilam, 2005, p. 397)

One purpose of this chapter is to raise awareness of the socio-political context in Singapore and inform readers of the overarching influence of the founding father and his government on the development of business leaders. This influence and the practice of 'Father leadership' (Low, 2006) gave rise to the strong possibility of creating carbon copies instead of authentic leaders who are appropriate for the given organization (George et al., 2007). In short, Singaporean SME leaders should challenge the accepted definition of an effective 'Singaporean Leader' and consider how they should most effectively provide the leadership required for their organizations.

## **Economic and Competitive Condition**

Singaporean SMEs face an uphill challenge in terms of competition from foreign MNCs and government-linked companies. Li et al. (2007, p. 952) reported that

the Singapore economy is now dominated by two groups of large companies: MNCs, of which there are some 7,000 in the country, and the government-linked companies, which have penetrated almost all industries in Singapore, from taxi-operations to newspaper publication.

Tan (2007) detailed the development of SMEs in Singapore and observed that there were no development policies provided by the government prior to 1987, and the sole focus up to that point had been on attracting foreign direct investments through MNCs. Upon realizing the importance of having a vibrant SME economy in Singapore, the government took many steps aimed at cultivating an entrepreneurial environment, but a subsequent

survey in 2000 found that there remained several structural weaknesses including a 'weak entrepreneurial culture' and 'insufficient management know-how and professionalism' (Tan, 2007, p. 205).

Chang (2003) also found that wholly foreign-owned establishments which accounted for 31% of Singapore's gross output in 1962, expanded significantly to contribute 70% of Singapore's gross output in 1998. In contrast, wholly local-owned establishments' contribution to the national gross output had fallen from 46% in 1962 to 45% in 1980 and remained at similar levels since then (Chang, 2003). Given the resources of these large companies and the extensive opportunities for career progression, it is not surprising that 'Job seekers shun the small and medium-sized enterprises (SMEs), viewing jobs there as grinding, dull and dead-end' (Wee, 2013, p. 11).

Manpower challenges remained the top concerns for businesses, similar to the survey findings in the 2013 Singapore Business Federation report, which found that 56% of SMEs across all industries were adversely affected by the changes in foreign worker policies (SBF, 2012), with many of them facing the prospects of scaling down their operations despite seeing growth potential, relocating their businesses, or simply closing down (Heng, 2012). As a result of these challenges, DP (2014) reported a drop of 2% in productivity of SMEs in 2012, and the growth was flat in 2013 despite the Economic Strategies Committee setting a target of 2–3% annual growth by 2020.

In summary, Singaporean SME leaders require the ability to attract and retain talent, maintain an entrepreneurial spirit in a culture that promotes the opposite, and work with limited resources, to compete with larger corporations stacked against them.

## Meso (Organizational) Considerations

### Organizational Context

Leadership is not simply subject to the influence of culture (House et al., 2004), but is also shaped by, and often reflects, individual organizational context (Hamilton & Bean, 2005; Osborn & Marion, 2009; Porter & McLaughlin, 2006). Osborn et al. (2002, p. 797) put it this way:

Leadership and its effectiveness, in large part, is dependent upon the context. Change the context and leadership changes as does what is sought and whether specific leadership patterns are considered effective.

**Table 2** Components of organizational context

Component	Examples of elements
Culture/climate	Types of culture (e.g., bureaucratic, adaptive) Norms that reflect the culture Cultural emphasis on ethics
Goals/purposes	Goals, strategies, and missions of individuals, groups, and organizational units
People/ composition	Demographic variability within the organization Capabilities of individuals and groups
Processes	Type(s) of technologies in use Task factors (e.g., differentiation, complexity, ambiguity) Mode of governance Degree of standardization of processes within the organization Policies (e.g., HRM policies)
State/condition	Stability or crisis Availability of resources Organizational health (e.g., financial, reputational)
Structure	Size, shape, and type of organization Degree of formalization and centralization Hierarchical levels of individuals and groups under consideration Spatial distances between individuals/groups
Time	Duration of leadership effects Organizational life cycle stage effects CEO/Top Management Team succession history

Remarking that ‘Leadership in organizations does not take place in a vacuum. It takes place in organizational contexts’ (p. 559), Porter and McLaughlin (2006) proposed a list of both static and dynamic elements in considering organizational contexts displayed in Table 2.

When identifying the needs in leadership development, SMEs ought to consider these components that are unique to each organization, and thereby identify the type(s) of leaders required for their organization. This approach is supported by Kotey and Folker (2007, p. 231), who contend that ‘SMEs need to first evaluate their firm’s primary goals and deficiencies’ when deciding and designing training and development programs.

## Organizational Developmental Readiness

Organizational developmental readiness describes the extent to which the organizational context and culture supports the leaders’ development. Avolio and Hannah (2008) theorized that this readiness is buoyed by the practice of a strengths-based approach, focusing on developing the strengths of

individuals instead of mitigating weaknesses, and encouraging greater personal responsibility in development. According to Avolio and Hannah (2008), each organization should work on developing the following elements to enhance organizational developmental readiness:

1. Develop a culture that views each individual as having unique strengths to contribute.
2. Provide dedicated resources to customize individual tasks and challenges that aid in accelerating the development of individuals.
3. Create a climate where individuals feel safe to make mistakes, receiving feedback as they develop themselves.
4. Along with identifying the leadership development needs, SMEs ought to cultivate their organizational developmental readiness in order to support their leaders' development.

## Owner-Manager Influence

Being highly involved in most decisions in the running of the SMEs (Poza, Alfred, & Maheshwari, 1997), the owner-managers have a strong influence on how leaders are being developed in their organizations. Sorenson (2000) found that different leadership styles (*laissez-faire*, referent, participative) adopted by the owner-managers in small businesses varied in correlation to the achievement in business and family goals, and certain actions such as 'consulting with outside professionals' seem to be strongly correlated with the leadership styles and business outcomes. A study on SME owner-managers in UK also discovered that sales growth increases when more authority is delegated by the owner-managers to their subordinates (Wang & Poutziouris, 2010).

While there have been some studies on the development of human resource management (HRM) practices in SMEs (Barrett & Mayson, 2007; Rutherford, Buller, & McMullen, 2003), there is a lack of empirical research on the relationship between owner-manager and leadership development. In a systematic review of 117 papers from 31 journals from 1995 to 2014, Nolan and Garavan (2016) found that while the influence of SME owner-managers on human resource development (HRD) practices are indisputable, too much remains unknown about how owner-manager values, attitudes, experiences, and orientation toward HRD affects the development of employees in the organization.

Barriers to learning in small businesses, as pointed out by Fuller-Love (2006), are the skills, abilities, and willingness of the owner-managers to relinquish control, delegate tasks, and train and motivate managers to take over from them. The growth of small businesses may also be highly dependent on the motives of the owner-managers in starting the businesses. For example, Gray (2002) found that the main motives of some entrepreneurs were really the desire for independence rather than financial reward, in which cases growth may be limited, resulting in reduced concern for leader development.

To sum up, although concrete evidence linking owner-manager involvement to effective leadership development is absent currently, there is no doubt that SME owner-managers' involvement is important to the development of leaders as the overall research suggest the overwhelming influence they have on other areas of the SMEs' growth. While deliberating the needs in leadership development, each organization ought to consider the expectations, motivations, and the level of involvement in leadership development of the owner-manager.

## Micro (Individual) Considerations

### Individual Developmental Readiness

Hannah and Avolio (2010, p. 1182) define individual developmental readiness as

the ability and motivation to attend to, make meaning of, and appropriate new leader KSAs (knowledge, skills, abilities, and attributes) into knowledge structures along with concomitant changes in identity to employ those KSAs.

Hannah and Avolio (2010) suggest that leaders' developmental readiness is a function of at least two general parameters: leaders' motivation and ability to develop. A leaders' motivation to develop is related to interests and goals, learning goal orientation and developmental efficacy (self-efficacy); while the ability to develop is related to leaders' self-awareness, self-complexity, and meta-cognitive ability (Hannah & Avolio, 2010).

Day, Harrison, and Halpin (2008) proposed that the extent to which individuals identify themselves as a leader (leader identity) similarly impacts the motivation to develop. The concept of leader identity encapsulates self-esteem and self-concept, both of which are important to effective leadership

development (Ross, 2014). In order to maximize development as a leader, an organization should consider these developmental readiness components of the individuals involved before deciding on the best options or methods for developing them. A summary of the components of Developmental Readiness is presented in Table 3.

Each leader is likely to possess a different level of individual developmental readiness. Considering these components for every individual will help determine how and when leadership development is best to take place. The greater the motivation and ability to develop that leaders possess, the more likely they will be to embrace and maximize the opportunity to develop.

## Implications for Leadership in Asia

Effective leadership development has to be comprehended at two conceptual levels. Understanding first begins with the definition of ‘effective leadership’, and what is considered ‘effective leadership’ is distinctive for different organizations in different contexts. In order to define the type of leadership required for the organization, one needs to consider both the macro-level socio-political and economic factors, as well as the meso-level organizational context.

Singapore SMEs ought to examine both the authenticity and appropriateness of their definition of effective leadership, in the face of the influence of the founding father and the government, as well as the competitive challenges facing SMEs that are unique from larger companies. While it is inappropriate for SMEs to adopt the same leadership development approaches as larger companies, it is equally wrong to assume that leadership needs in all SMEs are identical.

Each SME also possesses a unique organizational context with owner-managers who have differing motivations, resulting in the likelihood that what is required for one SME in terms of leadership, may not necessarily be so for another. Every SME needs to understand its organizational context, examining its goals, culture, structure, people composition, competitive state, and organizational life cycle in order to profile the type of leader required for their firm.

Next, ‘effective leadership *development*’ focuses on developing relevant competencies in the leaders, supported by other meso-level organizational factors such as the organizational developmental readiness and owner-manager influence. In order for the development to be successful, the

**Table 3** Individual developmental readiness

	Components	Brief description	References
Motivation to develop	1. Interests and goals	The intent to engage in learning and change is driven by an intrinsic motivation that is fueled by personal goals and interests in a particular topic or subject.	Hidi and Harackiewicz (2000)
	2. Goal orientation	'Incrementalists' have a learning goal orientation, viewing task feedback as developmental and failures simply as learning opportunities. Whereas 'Entitists' have a performance goal orientation. They view tasks as tests and see themselves as less able to change.	Button, Mathieu, and Zajac (1996) and Dweck and Leggett (1988)
	3. Developmental efficacy	Developmental efficacy refers to a leader's level of confidence in developing and applying specific KSAs in specific leadership contexts. This confidence will in turn lead to greater engagement in learning and development.	Bandura (1995) and Hannah, Avolio, Luthans, and Harms (2008)
	4. Leader identity	The extent that individuals self-identify as leaders have been proposed to impact leader development. The greater the extent, the higher the motivation to learn and develop oneself as a leader. This also involves a positive self-esteem and self-concept which leads to more effective leadership development.	Day et al. (2008) and Ross (2014)

(continued)

Table 3 (continued)

Ability to develop	Components	Brief description	References
	5. Self-awareness	A greater self-awareness brings clarity to a leader's assessment of own strengths and weaknesses, and enhances the ability to integrate learning of new KSAs with self.	Hannah and Avolio (2010)
6. Self-complexity		This primarily refers to a leader's cognitive complexity, which is the ability to differentiate and integrate different sources and types of information that is domain specific.	Hannah, Woolfolk, and Lord (2009)
7. Meta-cognitive ability		Meta-cognitive ability essentially is the ability to 'think about thinking'. With this, a leader is able to draw greater insights as a result of deeper thought processing, employ adaptive reflection rather than maladaptive reflection that supports acceleration in leader development.	Metcalfe and Shimamura (1994)

organization should create a climate that supports learning and feedback, providing necessary resources and investment in leadership development, backed by the owner-manager. Finally, at a micro-level, in order to identify the individual leadership development needs and ascertain the most fitting developmental methods, we ought to consider their individual developmental readiness, assessing their individual motivation and ability to develop.

## Contribution and Further Research

This study provides an extensive review on the relevant literature in order to bring greater clarity to understanding the developmental needs of SMEs leaders in Singapore. The review produced a conceptual framework that contributes to both the research of leadership development in SMEs, and the assessment of leadership development needs for practitioners in Singaporean SMEs. It aims to provide an informed perspective for policy-makers in Singapore that are planning national initiatives regarding SME leadership development. There ought to be a follow-up empirical research, both qualitative and quantitative, in exploring how these components in the three levels influence the definition of leadership, the needs required, and the developmental process, in particular, the influence of owner-managers in the leadership development process, and the effect of different organizational contexts. Finally, there could also be research on how other individual factors influence leadership needs, and the approach to leadership development in Singaporean SMEs, such as learning styles, personalities, gender, age, and education.

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# The Impact of Transformational Leadership and Organizational Culture on Firm Performance in Indonesia SMEs

Sunu Widiyanto and Budi Harsanto

## Introduction

Small-medium enterprises (SMEs) play a significant role in the development of a country (Mazzarol et al., 1999). Beck, Demircug-Kunt, & Levine (2005) found a strong association between the importance of SMEs and GDP per capita growth in 45 countries. Also, statistics indicate that SMEs contribute to local and international markets for a substantial proportion of exports (Knight, 2001). Indonesia has a large number of small and medium business sectors: around 99.91% of all companies can be categorized as SMEs. This category contributes about 42.24% to GDP with total employment absorption of 91.3 million (Shaban at al., 2014). Since December 2015 Indonesia, as part of ASEAN, has faced the challenge of the ASEAN Economic Community (AEC). The AEC was first formed in 2003. The characteristics of AEC are that it is a single market and production base, a highly competitive region, a region of equitable economic development, and a region fully integrated into the global economy. With AEC, entrepreneurs in ASEAN, including Indonesia as the most populous country in ASEAN, are facing new challenges in order to compete with other ASEAN countries.

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SMEs in Indonesia typically are led by the owners who have 5–19 employees in running all activities in their business. Thus, the leader plays a key role in order to obtain a higher level of firm performance. In addition, SMEs need a supporting work environment to be more productive, hence, the culture of the organization likely impacts on how SMEs run their business to be more effective and efficient. Transformational leadership is widely examined and believed to be able to boost an organization to have a relatively higher level of performance. A meta-analytic study showed that transformational leadership has generated a consistent finding of a positive relationship between transformational leadership and performance (Wang et al., 2011). In addition to transformational leadership, organizational culture is the prime independent variable. The present study looks at organizational culture constituting the secondary independence variable. A meta-analytic study showed that organizational culture has a positive relationship with performance (Hartnell, Ou, & Kinicki, 2011). However, to our best knowledge, very few studies examine the impact of the transformational leadership and organizational culture on firm performance in the context of SMEs, particularly in the transforming economies, such as South East Asian countries, including Indonesia. Meta-analysis entrepreneurial orientation (EO) on firm performance was studied by Rauch et al., 2009.

Because transformational leadership and organizational culture may foster innovativeness and proactiveness, we also sought to examine indirect mechanism transformational leadership and organizational culture through EO. The aim of the present study is to invoke resource-based theory regarding firm's resources, namely transformational leadership and organizational culture, acting as intangible resources to attain a high level of firm performance through a mediating variable, that is, EO. Resource-based theory sees resources as a competitive advantage in order to achieve superior business performance. Several empirical studies have examined EO and leadership as key variables that impact business performance, particularly in SMEs (Lee & Peterson, 2001). Below, we first theorize the links between the key constructs in the hypothesized model. In the 'Methods' and 'Result' sections, we discuss the finding with the purpose of extending this and future research.

## Literature Review

Leadership is a pivotal factor for SMEs, which in Indonesia are normally led by an owner who also acts as manager in doing business across all aspects of the enterprise. Thus, the leadership style of the owner will impact on business performance. Since the business environment of the SME is dynamic, SME

leaders might be more effective if they display a transformational leadership style and are able to create organizational culture in an organization in order to obtain high business performance.

In addition to leadership and organizational culture, EO contains the corporate policies and practices allowing an organization to perform in entrepreneurial activity toward potential business opportunities (Lumpkin & Dess, 1996). EO is usually defined as 'the simultaneous exhibition of innovativeness, proactiveness, and risk taking' (Stam & Elfring, 2008, p. 98). Entrepreneurial orientation can also be viewed as the foundation of entrepreneurial process in the firm related to intrapreneurship (Rauch et al., 2009). Thus, the key factor in entrepreneurship is the process; to what extent there exists autonomy for employee behaviour and the firm's attitudes towards new opportunities, which can be beneficial for an organization to attain the higher level of performance. Lumpkin and Dess (1996) formulated a model of EO that is a common model usually used by entrepreneurship scholars in an empirical setting. They provided five dimensions of EO – autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness (Lumpkin & Dess, 1996).

Some empirical studies show that EO has significant relationship with performance, shown by a Meta analytic study reported in 51 published articles (Rauch et al., 2009). Nevertheless, several studies also pay attention to the unclear position of EO in the firm. Researchers argued that an organization, in particular SMEs, might face difficulty in translating EO-performance links when the role of leadership is not taken into account (Gupta, Macmillan, & Surie, 2004). Leadership will shape employees' work environment and the culture so that it will align the interest among members and the organization. Thus, the role of transformational leadership style and organizational culture in SMEs may lead to the relatively higher level of firm performance. The operationalization between the constructs is discussed below.

## Transformational Leadership

In this study, the first two independent studies that we examined covered transformational leadership. Bass (1985) introduced the concept of transformational and transactional leadership (Kuhnert & Lewis, 1987). Contrary to the transactional leader who practices contingent reinforcement of followers, the transformational leader inspires, intellectually stimulates and individually considers others (Bass, 1999). A study of Avolio, Bass, and Jung (1999) with the total of 3,786 respondents in 14 independent samples re-examined the

components of transformational and transactional leadership using a Multifactor Leadership Questionnaire (MLQ). They found that the MLQ was best represented by six lower order factors consisting of charisma, intellectual stimulation, individualized consideration, contingent reward, active management by exception and passive avoidant. Three correlated higher-order factors are transformational, developmental exchange, and corrective avoidant (Avolio et al., 1999).

Regarding the MLQ explanation, Hater and Bass (1988) offered improvements to the MLQ instrument management by exception by dividing it into two parts: active versus passive. Drath et al., (2008) conducted a study on ontology science of leadership. They found that the general concept of leadership requires ontology development. As an alternative, they offered the concept of direction, alignment, and commitment. The aspects are expected to contribute to the development of leadership, both theory and practice. Direction is the collective agreement of the company's vision, mission, and goals. Alignment is collective communication and coordination within the organization. Commitment is the willingness of each element of the organization to promote the collective interest above personal interest.

Leadership according to the findings of Cogliser and Brigham (2004) is associated with entrepreneurship. There has been a lot of research that links transformational leadership with firm performance, for example, from Peterson et al., (2009) which examined 49 high-technology start-ups and 56 established firms. They found that transformational leadership is a more powerful influence in start-up rather than established firms. Jung, Chow, and Wu (2003) found that transformational leadership has significant impact on empowerment and innovation. In an Asian context, transformation leadership has a strong positive effect on firm sales growth (Harsanto & Roelfsema, 2015). How culture relates to the innovation is explored below.

## Culture

Hogan and Coote (2014) stated that innovation is prerequisite for success in the competitive business environment in the service economy. The precursor of innovation in organizations that can sustain organization and foster innovation is culture. Schein (1990, p. 195) defined organizational culture as

a pattern of basic assumptions that a group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration that have worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems.

Ogbonna and Haris (2000) found that competitive and innovative cultures are positively related to organizational performance.

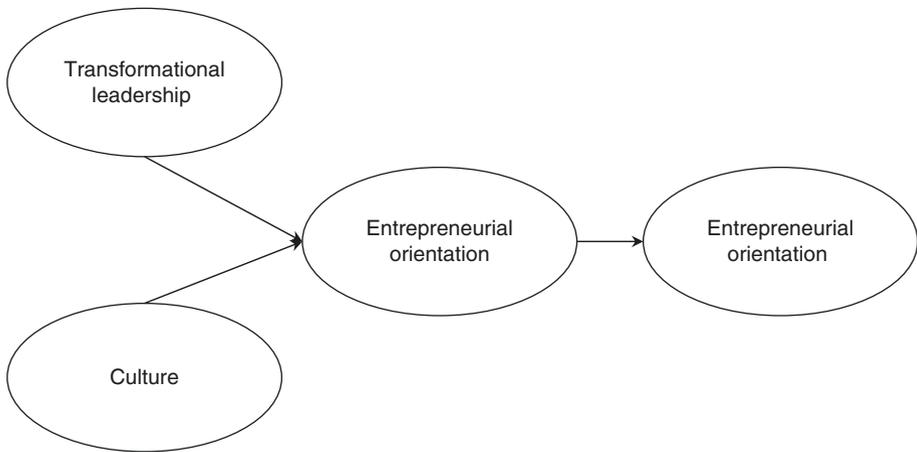
Different cultures across countries affect entrepreneurial activity of one country to another. Morosini (1998) showed that national culture values of individualism and power distance explain national differences in rates of inventiveness. Widiyanto (2011) found that the individualism dimension (using Hofstede's approach) affects national entrepreneurial activity. Culture affects the point of view impacting how members in an organization face issues and view their business ecosystem. Individuals will become entrepreneurs when they involve and are supported by entrepreneurship environment and culture (Turró, Lopez & Urbano, 2013). All in all, culture is a key that plays an important role relating to economic behaviour, innovation, and entrepreneurship.

## Entrepreneurial Orientation

This research studies employee EO as a mediating variable to investigate the linkage between leadership and organizational culture on firm performance. A study by (Covin, Green, & Slevin, 2006) using a sample of 110 manufacturing firms indicated that there is a positive effect of EO on sales growth rates. Entrepreneurial orientation may be viewed as the entrepreneurial strategy-making processes that key decision makers use to enact their firm's organizational purposes, sustain the vision, and create competitive advantage (Rauch et al., 2009). A popular model of EO suggests that there are five dimensions of EO – autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness (Lumpkin & Dess, 1996). The further research which sampled 124 executives from 94 firms found that there are two different approaches to the entrepreneurial decision-making – proactiveness and competitive aggressiveness. These might have different effects on firm performance and these differences were particularly apparent when the firms related themselves to their external environment (Lumpkin & Dess, 2001).

## Firm Performance

Business performance is the result of the efforts made by a company. Business performance is a multidimensional concept. There are many indicators that can be used to measure company performance. At least, these indicators are reflected by two main types, namely financial and non-financial measurement. Financial measurement is usually obtained from secondary data including turnover, profit, return on investment, as well as other financial



**Fig. 1** Hypothesized model

ratios. Non-financial measurement includes aspects like satisfaction, reputation, degree of innovation, employee growth, market expansion, and other non-financial measurements (Rauch et al., 2009)

## Hypotheses

Based on a review of literature on transformational leadership, EO, culture, and firm performance, we develop hypotheses by placing EO as a mediating variable between transformational leadership and organizational culture vis-à-vis firm performance. Two hypotheses are developed (Fig. 1),

- H1: Entrepreneurial orientation mediates the relationship between transformational leadership and firm performance.
- H2: Entrepreneurial orientation mediates the relationship between organizational culture and firm performance.

## Research Methodology

### Sample

We collected data on small-medium organizations in Bandung during mid-2014. We performed a survey of the owners or senior management as the key informants for our survey since they have better knowledge of the entire

organization than others (Engelen et al., 2015). The survey involved 100 SMEs in Bandung, Indonesia. Questionnaires were distributed both online and offline. Bandung is the capital city of West Java province and one of the largest cities in Indonesia well known as Paris van Java. This city is also considered as a city with significant SME development with many young creative entrepreneurs and several SMEs in production and trade areas with specific products.

## Measures

We measured transformational leadership, organizational culture, and EO constructs using well-established measurement on a five-point Likert-type scale (1 to 5).

*Transformational leadership.* Transformational leadership was measured using MLQ, which has five dimensions, namely idealized attributes, idealized behaviours, inspirational motivation, intellectual stimulation, and individual consideration.

*Organizational culture.* We employed items from Schwartz (2006) to measure organizational culture.

*Entrepreneurial orientation.* To measure EO, we employed items developed by Rauch et al., (2009).

*Business performance.* We used sales growth as objective firm performance (Table 1).

## Analysis

To analyse the data in this study, we used variance structural equation modelling using partial least square (PLS). It aims to test the measurement model and the structural model. To predict the connection between variables, we conducted correlation analysis. The researchers used PLS because this technique can provide a standardized regression coefficient for the model paths, which can be used to measure the relationship between latent variables. PLS also gives the factor loading for each item so that the interpretation of the measurement is equal to load the interpretation of the results of a factor analysis component. Furthermore, PLS allows researchers to use a lot of measurements (multiple measures) on the dependent variables and the independent variables and indicators in order to assess the reliability of the construct as well as the correction of measurement error (Tables 2 and 3).

**Table 1** Demographics

	%
Industry	
Manufacturing – food	36
Manufacturing – textiles and garments	15
Manufacturing – publishing, printing, and recorded media	6
Manufacturing – furniture	4
Service – transportation	4
Service – IT	6
Other	29
Position of respondent	
Owner	66
Senior management	34
Company size	
<5	37
6–10	24
11–30	22
30–50	5
>50	12
Firm age	
<10	79
10–20	19
>20	2
Sample size: $N = 100$	

## Findings

This study investigates the relationship between leadership, culture, EO, and firm performance. Overall 100 qualified responses were yielded from the owners and senior management of SMEs in Bandung area. The owners and senior management selected for those segments are representatives who know the condition of the company the most. The owners were chosen as respondents because in SMEs almost all owners run their businesses. Senior management were selected because they were expected to be the key informants on various characteristics and data being explored in this research including the

**Table 2** Descriptive statistics and correlations

	1	2	3	4
1. Transformational leadership				
2. Organizational culture	0.58**			
3. Entrepreneurial orientation	0.59**	0.47**		
4. Firm performance	0.14	0.16	0.22*	
Mean	3.89	3.82	3.54	26.42
Standard deviation	0.551	0.524	0.599	38.66

\* $p = 0.02$  (two-tailed); \*\* $p = 0.01$  (two-tailed)

**Table 3** Path coefficient variables

	Original sample	Sample mean	Standard deviation	Standard error	<i>T</i> statistics <sup>a</sup>
Culture -> entrepreneurial orientation	0.323107	0.364361	0.137668	0.137668	2.347001
Entrepreneurial orientation -> firm performance	0.423622	0.448702	0.065899	0.065899	6.428380
Transformational leadership -> entrepreneurial orientation	0.521777	0.485822	0.160736	0.160736	3.246182

<sup>a</sup>*t* > 1.645, two-tail significance

history and performance of the company. Sample composition containing the industry type, respondent position, firm size, and firm age is shown in Table 1.

In this chapter, we have hypothesized that there is a relationship between transformational leadership and organizational culture with firm performance with mediating role of EO. In order to predict the relationship between one variable with another variable, we performed correlations between variables. The correlation table is shown in Table 2. From Table 2, it is clear that we can expect there are relationships between transformational leadership and organizational culture with firm performance. It becomes an insight to proceed to the next step of analysis.

Despite its particular importance in SMEs, there is a lack of study exploring it when scrutinizing EO determinants in SMEs. In this regard, our study attempts to account for the effect of leadership and culture as determinants of construct of EO. In turn, it enhances business performance (financial measurement). Our finding empirically confirms that culture and leadership are pivotal variables influencing EO, which in turn affect financial performance.

## Discussion and Implication

This study shows that the linkage of transformational leadership and culture, entrepreneurial organization, and firm performance is supported. It indicates that roles of transformational leadership and culture are the drivers of EO and in turn affect firm performance.

In this study, we have examined the effects of transformational leadership styles and EO on the firm performance in the context of an emerging market country. These linkages have been studied in the previous studies, however, not in the similar additional combination link. Thus, there is a potential gap,

invoking empirical evidence of the relation between transformational leadership style and organizational culture of organizations, on the one hand, and between EO and firm performance, on the other hand. This study indicates that the link of transformational leadership, organizational culture, and an EO of the firm is a booster for sustainable firm performance. Thus, it may explain the resource caravan of COR theory, in which transformational leadership and organizational culture are resources apparently influencing the performance of SMEs.

We also found that transformational leadership style (a rather Western concept) may have a positive impact on EO of the SMEs. This may indicate a significant contribution to the SMEs literature. Entrepreneurship in emerging markets is on the rise both as a behavioural phenomenon as well as an explanatory variable of the firm performance (Harsanto & Roelfsema, 2015). Furthermore, the contribution of the paper is to add to the understanding of the effects of transformational leadership style and organizational culture in the context of emerging markets, which may have different impacts. Southeast Asian countries, like Indonesia, have discrepancy structures and cultural attributes and thereby it is frequently argued that transformational leadership has no cultural relevance with the rules and social context. Instead, we indeed support the evidence for this. Transformational leadership, which might be useful for further research in an Asian values context. However, other leadership styles such as servant leadership or empowering leadership might be fruitful to investigate for further study.

Transformational leadership viewed as strong and visionary leadership, useful for SMEs facing a dynamic environment. They can enhance the capability of their employees through their ideas, vision, and intellectual stimulation. This leadership style is needed for SMEs in Indonesia facing ASEAN economic community 2015. This obviously makes markets more competitive. On the other hand, culture is confirmed as a major driver of a firm's EO (Engelen et al., 2015). Characterized by strong collectivism and high-power distance, Indonesia needs an adhocracy culture to be more competitive and advance EO instead of being a hierarchical organizational culture. Our findings show that transformational leadership exerts significant effect on EO. It is likely strong leadership with transformational leadership style enables the strategy making process in reaching an organization's goals to become reachable and has clear objectives (Covin, Green, & Slevin, 2006). In addition, a transformational leader has charisma and a persuasive approach to foster subordinates to do what he wants. Furthermore, as predicted earlier, culture significantly influences EO. This supports the previous studies that culture may be an important variable playing as a key construct as determinant of EO (Shane, 1992).

Organizational culture may shape how an organization behaves and it will influence an organization to be proactive, aggressive, or passive. SMEs in Indonesia rely on both leadership and culture to elevate the initiative of the organization to expand their business. For instance, they will not take into account that international markets have potential if they merely focus on the domestic markets. Therefore, it is reflective of the vision of leaders or owners of SMEs to strive and expand the business. In addition, the expansion of SMEs in Indonesia generally may face several obstacles such as the capability to speak in international language and capacity to fulfil requirements of their international clients.

This study also elevates research on transformational leadership style. Many researches treated transformational leadership as antecedent of performance. But to our best knowledge, very few studies examine the impact of transformational leadership on firm performance (Wang et al., 2011). Our research provides a contribution that may be useful for leadership scholars stating that transformational leadership and organizational culture are pivotal *resources* because these two things influence EO. This subsequently affects firm performance. Our research also provides understanding regarding the role of the EO–performance relationship.

The present study has the limitation that should be noted to useful avenues for further research. This present study may have a problem of common method variance due to similar sources of response although we minimized it with objective performance variable (e.g. sales growth). Therefore, future studies should minimize this potential issue by using multi-trait multi-method (Podsakoff et al., 2003). Thus, a different type of study should be performed such as qualitative research or experiment study to get more insight in understanding the link. In addition, future researchers may also conduct a longitudinal study to remedy issue of reverse causality using lagged performance. Future studies should also examine whether there are certain differences among types of organizations that affect the link between constructs in the hypothesized model. Instead, SME leaders may lead small group members and future studies should examine this to learn the effect on the EO and firm performance relationship.

## Conclusion

Although some studies have examined the role of leadership to performance in the SMEs, very few studies that examine this phenomenon in an emerging market such as Indonesia. This study may give us evidence that

transformational leadership style relatively relates to the survival rate in dynamic environments, particularly in emerging markets such as Indonesia. It is known that doing business in emerging countries has never been so easy. Therefore, a transformational leader may significantly influence how the EO in SMEs is flourished through motivating, inspiring, and acting as role model for employees to perform better. A transformational leader may also influence the strategy making and breakthrough to win in more competitive circumstances.

SMEs in an emerging market such as Indonesia need to be more agile to cope with boundaries in the near future. It is fit for SMEs in Indonesia to have leaders who have transformational leadership style in order to win the challenges. Transformational leadership might be an intangible resource associated with strategy making to foster firm performance. Hence, transformational leadership shows a link to the EO leading to strategic decision-making in order to achieve superior firm performance.

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# Transformational Leadership and Job Performance: The Role of Organizational Identification

Gary Schwarz

## Introduction

In the past decades, the impact of transformational leadership behavior on follower performance has received significant attention (Judge & Piccolo, 2004; Wang, Oh, Courtright, & Colbert, 2011; Yang, Zhang, & Tsui, 2010). While the link between transformational leadership and follower job performance has been established, the individual-level mechanisms underlying this relationship remain unclear. Originally conceived by Burns (1978), transformational leadership motivates followers to put the needs of the organization above their own and increases follower performance through improved goal orientation. Bass (1985) proposed that transformational leadership consists of four basic inter-related behaviors: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. In this study, we investigate the salience of the mediating effect of organizational identification in explaining the process by which transformational leaders elicit higher performance among followers.

Organizational identification refers to the psychological bond that ties an employee to his or her organization (Smale et al., 2015). The significance of organizational identification for both the entire organization and its individual members has long been recognized (Brown, 1969; Ashforth & Mael,

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1989; Simon, 1997[1947]). Organizational identification has been positively associated with a number of positive work outcomes, such as job satisfaction, job involvement, organizational loyalty, work group attachment, and cooperative behaviors and negatively related to the intention to leave the organization (Adler & Adler, 1988; Dutton, Dukerich, & Harquail, 1994; Elsbach, 1999; Jones & Volpe, 2011; O'Reilly & Chatman, 1986; Riketta, 2005; Rousseau, 1998; Van Dick, 2001). However, much of the previous research on organizational identification has been conducted in Western contexts. Organizational identification is particularly relevant in transforming Asia, where employee loyalty is increasingly difficult to establish due to a rapidly changing task environment and the continuous restructuring of its organizations.

Our study utilizes social identity theory to examine the mediating role of organizational identification in the relationship between transformational leadership and task performance (Ashforth & Mael, 1989; Elsbach, 1999; Kramer, 1991). Social identity theory asserts that employees define themselves based on their group memberships (Tajfel, 1978). For employees with high levels of organizational identification, congruence exists between their values and those of the organization. The employees are linked to the organization cognitively and emotionally, and they consider organizational membership important to their self-definition (Zavalyova, Pfarrer, Reger, & Hubbard, 2016). As a consequence, such individuals are less likely to maximize their self-interest at the expense of the organization (Lange, Boivie, & Westphal, 2015).

In spite of the plethora of research on organizational identification, limited work has examined its role within the context of transformational leadership. Hence, it remains unclear how the organizational identification of employees impacts their behavioral responses toward transformational leadership. The present study aims to close this research gap by (1) reviewing the effect of transformational leadership on employee performance, (2) analyzing the relationship between transformational leadership and organizational identification, (3) studying the effect of organizational identification on employee performance, and (4) analyzing the mediating role of organizational identification in the relationship between transformational leadership and employee performance. To test our hypotheses, we collected multi-source data in three phases from 252 supervisor-subordinate dyads in a Chinese textile manufacturing company located in Zhejiang Province, one of China's richest and most entrepreneurial areas.

This chapter is structured as follows: we first review the literature on transformational leadership and organizational identification before developing our hypotheses. We then explain how the data were collected and

analyzed, and present our findings. Finally, we discuss our results and their implications before making suggestions for further research.

## Literature Review

### Transformational Leadership

Originally conceived by Burns (1978) in his study on political leaders, transformational leadership has emerged as arguably the dominant leadership concept of the past decades (Banks, McCualey, Gardner, & Guler, 2016; Mhatre & Riggio, 2014). Deng Xiaoping, Lee Kwan Yew, Nelson Mandela, Steve Jobs, and Jack Welch are classic examples of transformational leaders. They are change agents who created, communicated, modeled, and implemented a shared vision for their countries and firms.

Bass (1985) distinguished transformational leadership from transactional leadership. The latter is based on a rational exchange process in which followers comply with leader requests to secure rewards and avoid punishment. This is a 'carrot-and-stick' approach in which a leader engages in management-by-exception in case an employee makes a mistake or some unforeseen event arises and provides contingent rewards for adequate performance. While not necessarily ineffective (Judge & Piccolo, 2004), the transactional leadership style fails to generate enthusiasm and trust, admiration and respect for the leaders, which are all features of transformational leadership (Yukl, 2013). Bass (1985) suggested that transformational leaders appeal to the higher-order needs of followers and exhibit four primary behaviors: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. These four dimensions, collectively often referred to as the 'four I's', transform followers, and, as a consequence, their organization.

Idealized influence means that transformational leaders act as role models who gain respect, trust, and admiration from followers by setting high moral standards, and by demonstrating ethical behavior (Wang et al., 2011). Modeling means that a leader's words and actions are consistent and that they exemplify the behaviors they want to see in others (Schwarz, Newman, Cooper, & Eva, 2016).

Inspirational motivation refers to the degree to which leaders develop and articulate a shared vision that fosters enthusiasm and is inspiring and energizing to followers (Shamir, House, & Arthur, 1993). A compelling vision is a crucial part of transformational leadership. A vision is an idealized future state that is more appealing than maintaining the status quo. A shared vision

has a unifying component as it allows people from various organizational departments to contribute and be part of something bigger and worthwhile.

Intellectual stimulation encourages followers to apply creative and innovative thinking and novel methods to solve work problems. Transformational leaders challenge long-standing assumptions and norms, support a learning orientation and ask followers to look at problems from different angles (Wang et al., 2011). They encourage experimentation so that followers discover practices and processes that are more consistent with the desired vision. By doing so, transformational leaders involve followers and turn change into a collective activity.

Finally, individualized consideration means that leaders coach and mentor followers depending on their particular needs so that they can achieve their full potential. Transformational leaders treat their followers as unique individuals who have specific developmental needs, abilities, and aspirations, all of whom can contribute to the change process and to turning the vision into reality (Bass & Stogdill, 1990).

Other researchers have developed Bass's (1985) classic four-dimensional framework of transformational leadership. Podsakoff, Mackenzie, Moorman, and Fetter (1990) suggested that transformational leadership encompasses six behaviors, i.e., identifying and articulating a vision, providing an appropriate model, fostering the acceptance of group goals, high-performance expectations, providing individualized support to staff and intellectual stimulation. Building on Podsakoff et al.'s (1990) work but distinguishing between the behaviors of providing support to staff and encouraging individual development and substituting charisma – the Greek word for divinely inspired gift – for high-performance expectations, Careless, Wearing, and Mann (2000) identified the following seven transformational leadership behaviors: (1) communicates a vision, (2) develops staff, (3) provides support, (4) empowers staff, (5) is innovative, (6) leads by example, and (7) is charismatic.

## Organizational Identification

Nobel laureate Herbert Simon (1997[1947]) was amongst the first scholars to draw attention to the concept of organizational identification, which he considered an 'emotional tie' between the individual and the organization. Simon noted that 'a person identifies himself with a group when, in making a decision, he evaluates the several alternatives of choice in terms of their consequences for the specified group' (1997[1947], p. 284). He also pointed out that attachment to the organization is based on certain incentives that tie

an individual to an organization, for example, salary, prestige, friendship, and future opportunities that the organization may offer (March & Simon, 1958).

Despite this promising beginning, only a few studies focused on organizational identification in the next decades. Patchen (1970), for example, conceptualized organizational identification as consisting of the following elements: a perception of shared interests and goals with other organizational members, a feeling of solidarity that generates a sense of belongingness to the organization; and support for and defense of the organizational goals and policies. Lee (1969, 1971) added taking pride in the organizational tenure and fulfillment of personal needs as subcomponents of organizational identification.

More recently, there has been a surge in organizational identification research, particularly following Ashforth and Mael's seminal work that defined organizational identification as the 'perceptions of oneness with or belongingness to' the organization (Ashforth & Mael, 1989, p. 21). This definition is based on social identity theory (Elsbach, 1999; Kramer, 1991). Tajfel (1978, p. 63) defined social identity as 'that part of an individual's self-concept which derives from his knowledge of his membership of a social group (or groups) together with the value and emotional significance attached to that membership'. Identification can have multiple and potentially overlapping foci, for example, the team, department, or business unit (Horstmeier, Boer, Homan, & Voelpel, 2016). Organizational identification is a form of identification, in which individuals classify themselves into a particular social category as members of the organization (Ashforth, Harrison, & Corley, 2008). This classification allows individuals to bring order to their social environment and locate themselves and others in it (Mael & Ashforth, 1992), for example, by distinguishing between ingroup and outgroup (Ashmore, Deaux, & McLaughlin-Volpe, 2004; Brewer & Gardner, 1996). Social identity theory argues that individuals link organizational membership to their self-concept and self-esteem (Riketta, 2005) and that the main motive for group membership is self-enhancement (Elstak, Bhatt, Van Riel, Pratt, & Berens, 2015). Individuals identify with organizations to see themselves in a positive light, for example, because the prestige associated with an organization allows them to think of themselves more highly and perceive themselves as a worthwhile person (Fuller et al., 2006; Jones & Volpe, 2011).

Organizational identification has a conceptual overlap with other constructs that measure psychological attachment, particularly with the affective component of organizational commitment (Edwards, 2005). This is evident in the definition of affective commitment as 'the employee's emotional attachment to, identification with, and involvement in the organization' (Meyer & Allen, 1991, p. 67). However, Pratt (1998, p. 178) noted that

the constructs are different, as 'identification explains the individual-organization relationship in terms of an individual's self-concept, [while] organizational commitment does not'. Moreover, Ng (2015) found meta-analytical evidence for the distinctiveness and incremental validity of organizational identification and organizational commitment.

## Hypotheses Development

Individual-level job performance has been differentiated into in-role performance (i.e., task performance that is stipulated in the job description) and extra-role performance (i.e., organizational citizenship behavior that is not explicitly required by one's job). That transformational leadership is positively related to follower task performance has been assumed right from the outset. Bass's (1985) original book about transformational leadership is titled *Leadership and performance beyond expectations*. His 'four I's', described above, are regarded as transformational as they turn employees into high performers.

Transformational leaders motivate followers to exert more effort on behalf of the organization by explaining how their respective tasks contribute to turning the shared vision into reality (Wang et al., 2011). Followers, hence, become more intrinsically motivated to perform at higher levels as they view their task outcomes as more meaningful and significant (Bono & Judge, 2003). Transformational leaders set high standards and instill in their followers the confidence that they can achieve their goals (Shamir et al., 1993). This increased self-efficacy positively affects performance (Bandura, 1997). Moreover, through 'individualized consideration' behavior, transformational leaders attend to the needs of their followers and provide them with the support and coaching necessary to accomplish their task (Howell & Hall-Merenda, 1999). Finally, through 'intellectual stimulation', transformational leaders may elicit higher levels of employee creativity and innovation that may result in higher follower performance improvements (Jung, Chow, & Wu, 2003).

Findings from several empirical studies indeed suggest that transformational leadership enhances employee performance (Barling, Weber, & Kelloway, 1996; Bono & Judge, 2003; Koh, Steers, & Terborg, 1995; Kovjanic, Schuh, & Jonas, 2013). Recent meta-analytic work by Wang et al. (2011) found that transformational leadership had a positive relationship with follower task performance. In the Chinese context, Yang et al. (2010) find that transformational leaders significantly affect the performance of front-line workers in three different Chinese organizations. Thus:

*Hypothesis 1:* Transformational leadership is positively related to employee performance.

Chester Barnard (1938) noted nearly 80 years ago that ‘coalescence’ between the individual and organization increases an individual’s conviction and willingness to devote increased effort to the organization. Organizational identification has also been linked to employee performance in more recent research (Liu, Loi, & Lam, 2011; Walumbwa, Avolio, & Zhu, 2008). There are several reasons to expect a positive relationship between the two variables. Firstly, as employees’ beliefs about their organization become self-defining, employees with strong organizational identification can be expected to be more willing to serve the interests of the organization as well as they can (Carmeli, Gilat, & Waldman, 2007). As personal and organizational values and goals become increasingly congruent, employees with higher levels of organizational identification can be expected to work harder to continue to partake in organizational successes and avoid organizational failures. Working on behalf of the organization hence becomes akin to working on behalf of themselves (Ashforth et al., 2008). In addition, organizational identification can create a strong sense of belonging among employees, which possibly encourages individuals to contribute their best for high team performance (Simon, 1997[1947]; Tyler, 1999). Hence:

*Hypothesis 2:* Organizational identification is positively related to employee performance.

There are several theoretical reasons to expect a positive relationship between transformational leadership and organizational identification (Epitropaki & Martin, 2005). Transformational leadership promotes organizational justice (Zhu, Sosik, Riggio, & Yang, 2012), contribution to the group (Shamir, Zakay, Breinin, & Popper, 1998), and fosters pride of being a group member (Zhu et al., 2012). Transformational leaders create a sense of belonging to a larger group and a feeling of being part of something bigger (Deaux, Reid, Mizrahi, & Cotting, 1999). Through the process of organizational identification, employees share organizational successes and failures and become psychologically intertwined with the fate of the organization (Mael & Ashforth, 1992; Tolman, 1943).

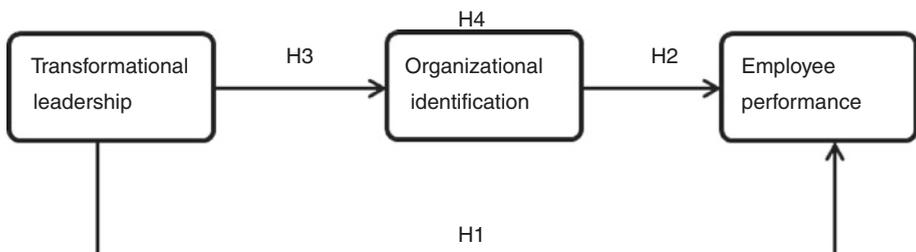
One point that transformational leadership and organizational identification have in common is that both constructs emphasize emotional aspects. Tajfel (1978, p. 63) argued that social identity does not only require cognitive identification but also demands the ‘emotional significance’ of

group membership and that the process of attachment and belonging is emotionally laden (Edwards, 2005). Harquail (1998, p. 225) noted that identification ‘engages more than our cognitive self-categorization and our brains, it engages our hearts’. Affect hence reinforces identification. Transformational leaders frequently utilize affect and emotions to appeal to the hearts of their followers (Yukl, 2013). They express positive emotions more frequently to enthuse followers through an ‘emotional contagion process’ (Barsade, 2002, p. 647) that activates their higher-order needs and makes them more aware of the importance of their task outcomes.

Moreover, individuals are likely to feel that their organization can offer greater future opportunities and development prospects because transformational leaders pay more attention to developing employees’ full potential (Moriano, Molero, Topa, & Margin, 2014). Thus:

*Hypothesis 3:* Transformational leadership is positively related to organizational identification.

Shamir et al. (1993) suggested that organizational identification serves as a mediator of leadership and performance. Moreover, Wang, Law, Hackett, Wang, and Chen (2005) stated that the relationship between transformational leadership and employee performance is a process of social identification. This view stresses the personal meaning and value of work as individual efforts will be treated as contributing to greater common interests. Transformational leaders encourage employees to give up their self-interest for the benefit of the organization (Humphrey, 2012). Ricketta (2005) noted that individuals with high levels of organizational identification link organizational membership to their self-concept. Hence, they should exert greater effort to work toward organizational goals to enhance their self-concept, resulting in higher job performance. Thus:



**Fig. 1** Research model

*Hypothesis 4:* Organizational identification mediates the positive relationship between transformational leadership and employee performance.

Our research model is depicted in [Fig. 1](#).

## Research Methodology

### Sample and Procedures

A total of 252 supervisor-subordinate dyads from 24 teams within a Chinese textile manufacturing company producing polyamide fiber participated in our study. The company has revenues of more than one billion RMB and is located in Zhejiang Province. Prior to their distribution, a back-translation procedure (Brislin, 1993) was followed to assure that the questionnaires were adequately translated from English into Chinese. To minimize the risk of social desirability response bias, all participants were assured that their responses are completely confidential.

To reduce common method variance (Podsakoff, MacKenzie, & Podsakoff, 2012), we collected data from two sources (i.e., subordinates and their immediate supervisor) and at three time intervals in 2014. At time 1, subordinates rated the transformational leadership style of their subordinates and provided demographic information. At time 2, two weeks later, they rated their organizational identification. A further two weeks later, at time 3, the supervisors evaluated the job performance of their subordinates. On average, a supervisor rated 10.5 subordinates. Approximately three quarters of the subordinates were male, their mean age was 29.3 years, and 92.5% held non-management positions. On average, they had worked for this organization for three years. The overall response rate was 88.4%.

### Measures

*Transformational leadership.* Transformational leadership was measured using a seven-item scale created by Carless et al. (2000). Subordinates were asked to report the leadership behavior of their direct supervisor on a five-point Likert scale. Sample items included 'My supervisor communicates a clear and positive vision of the future' and 'My supervisor encourages thinking about problems in new ways and questions assumptions'. The Cronbach's alpha for this scale was 0.852.

*Organizational identification.* A six-item scale taken from Mael and Ashforth (1992) was used to measure organizational identification. Subordinates were required to rate the extent to which they identified with their organization on five-point Likert scales. Sample items included ‘When someone praises my organization, it feels like a personal compliment’ and ‘When I talk about my organization, I usually say “we” rather than “they”.’ The Cronbach’s alpha for this scale was 0.810.

*Employee performance.* Employee performance was measured using the three-item scale developed by Heilman, Block, and Lucas (1992). Supervisors were asked to rate each of their subordinate’s performance individually on five-point Likert scales. The sample items were ‘He/she is very competent’, ‘He/she gets his/her work done very effectively’ and ‘He/she performed his/her job well’. The Cronbach’s alpha for this scale was 0.815.

*Control variables.* In this study, five control variables were included: gender, tenure in organization, tenure with supervisor, age and position.

## Findings

The mean, standard deviations, correlation, and reliability coefficients of all study variables are reported in Table 1.

We first conducted a confirmatory factor analysis using AMOS 22 to establish the discriminant validity between our study variables. Table 2 shows the properties of our hypothesized three-factor model (i.e., transformational leadership, organizational identification, and employee performance) in comparison to a one-factor model. With a root-mean-square error of approximation (RMSEA) below the 0.05 level and with incremental fit index (IFI) and comparative fit index (CFI) levels above the 0.9 thresholds that indicate a good fit, our hypothesized model yielded an acceptable fit to the data (Tabachnick & Fidell, 2013).

This study tested the hypotheses using a structural equation model in AMOS 22. Table 3 lists the standardized regression coefficients for all the paths hypothesized in the model, with all of them having a significant positive relationship. The standard estimate of the path from transformational leadership to employee performance is 0.317. This is significant at the  $p < 0.001$  level, offering support for Hypothesis 1, that transformational leadership is positively related to employee performance. The second path from organizational identification to employee performance tested Hypothesis 2. The standard estimate of path from organizational identification to employee performance is 0.591. This is significant at the  $p < 0.001$  level, offering support for Hypothesis 2, that

**Table 1** Descriptive statistics, reliability coefficients, and correlation

Variable	Mean	SD	1	2	3	4	5	6	7	8
1. Gender	0.25	0.432								
2. Tenure in organization	1.65	0.702	-0.107							
3. Tenure with supervisor	1.43	0.624	-0.219**	0.750**						
4. Age	29.30	7.494	-0.001	0.483**	0.495**					
5. Position	0.08	0.265	-0.058	0.037	0.091	0.061				
6. Transformational leadership	3.68	0.768	-0.180**	0.236**	0.325**	0.171**	0.047	(0.852)		
7. Organizational identification	3.78	0.647	-0.025	0.106	0.148*	0.061	-0.012	0.408**	(0.810)	
8. Employee performance	3.73	0.699	-0.147*	0.169**	0.216**	0.104	-0.011	0.513**	0.602**	(0.815)

Cronbach's alpha listed in parenthesis

\* $p < 0.05$ ; \*\* $p < 0.01$

**Table 2** Confirmatory factor analysis results

Model	$\chi^2$	df	$\chi^2/df$	IFI	CFI	RMSEA
Three-factor model	133.707	99	1.351	0.977	0.977	0.037
One-factor model	498.105	104	4.789	0.737	0.734	0.123

$\chi^2$  Satorra-Bentler scaled chi-square; *IFI* incremental fit index; *CFI* comparative fit index; *RMSEA* root-mean-square error of approximation

**Table 3** Path analysis results

Path description	Estimate	SE	CR	<i>p</i>	Standard estimate
EP ← TL	0.239	0.055	4.362	0.00	0.317
EP ← OI	0.693	0.108	6.426	0.00	0.591
OI ← TL	0.320	0.056	5.771	0.00	0.499

*EP* employee performance; *OI* organizational identification; *TL* transformational leadership

**Table 4** Direct, indirect, and total effects

Path	Direct effect	Indirect effect	Total effect
OI ← TL	0.499	0.000	0.499
EP ← OI	0.591	0.000	0.591
EP ← TL	0.317	0.295	0.612

*EP* employee performance; *OI* organizational identification; *TL* transformational leadership

transformational leadership is positively related to employee performance. The third path from transformational leadership to organizational identification tested Hypothesis 3. The standard estimate of path from transformational leadership to organizational identification is 0.499. This is also significant at the *p*

< 0.001 level, offering support for Hypothesis 3, that transformational leadership is positively related to organizational identification.

Finally, we found that organizational identification partially mediates the positive relationship between transformational leadership and employee performance. As shown in Table 4, the mediation effect of organizational identification (0.295) is less than the direct effect of transformational leadership (0.317).

## Discussion and Implication

The first finding of our study is that transformational leadership has a positive effect on employee performance, i.e., a higher level of transformational leadership behavior increases employee task performance. We also found a positive

relationship between organizational identification and employee performance. Our results show that individuals who identify with their working organization are more likely to achieve a higher level of performance. The third finding of this study is that transformational leadership has a positive effect on organizational identification. Our study also shows that organizational identification is the mechanism by which transformational leaders engenders higher performance. Transformational leaders offer meaningful and challenging visions to followers and enhance followers' feelings of respect and influence. All these positive elements can help employees increase their sense of pride in their working organization, which subsequently enhances their identification with their organization (Riketta, 2005).

While there is evidence for the support of the universal relevance of transformational leadership (Bass, 1997; Muenjohn & Armstrong, 2007), this does not imply that transformational leadership is equally effective in all situations (Yukl, 2013). In Asian societies that are characterized by high-power distance and high in-group collectivism, such as in China, there is usually a high respect for seniority (Miao, Newman, Schwarz, & Xu, 2013). This may make transformational leaders even more relevant for the generation of organizational identification than in Western societies as leaders are expected to provide direction and followers are expected to follow directions (Jung & Avolio, 1999). One reason that may explain why transformational leadership elicits higher employee performance in collectivist and relationship-based Asian cultures may be that transformational leaders focus on developing the collective identity of their followers and emphasize the need to achieve group goals.

Another reason for the importance of organizational identification is that many organizations in transforming Asia face a turbulent operating environment. Karl Weick (1995) pointed out that humans are meaning seekers who identify with collectives to reduce the uncertainty that is inherent in a rapidly changing environment. In many emerging economies in Asia, familiar environments change and employees feel a strong need to identify with their organization to create a sense of order in their life (Elstak et al., 2015; Waldman, Ramirez, House, & Puranam, 2001). At the same time, in many Asian countries, such as Japan and Korea, frequent job transitions replace lifelong employment. As individual-organization relationships become more tenuous, the importance of some sort of work-based identification is increasing even more to satisfy the basic human needs for safety, affiliation, and belonging (Ashforth et al., 2008; Van Dick, 2001).

Our results have significant practical relevance. To foster higher levels of organizational identification in employees and engender higher levels of job performance, organizations should consider identifying and promoting

transformational leaders. Applicants can be screened through personality questionnaires to test their propensity for transformational leadership. Vignettes may also be utilized to evaluate how applicants react to different scenarios that require leadership skills.

In order to fully benefit from the increased employee performance, organizations should consider the development of training programs that assure that supervisors exhibit transformational leadership characteristics. Hence, supervisors need to be trained to establish and communicate an inspiring vision and to act as role models who can thereby gain respect and trust, and instill a sense of pride in their subordinates to work for this organization. Moreover, they need to learn how to intellectually stimulate their followers and to set high standards and expectations that motivate their employees to achieve higher levels of performance (Bass, 1985). Testing leadership behaviors before and after training sessions and using control groups consisting of supervisors who have not yet been trained can help verify whether the training programs augment transformational leadership skills and, ultimately, the job performance of their employees (Schwarz et al., 2016).

An important implication of our study is that organizations should pay more attention to followers' needs in order to enhance their identification with their organization as this will ultimately translate into higher in-role performance. For example, organizations can provide more learning opportunities for employees and provide them with more discretion. Organizations can establish clear career plans for individual employees and help them to identify suitable positions inside the organization based on their expertise and background. Moreover, transformational leaders should coach and mentor followers and celebrate their individual contributions to the organization.

## Limitations and Suggestions for Future Research

This study comes with several limitations that should be considered when interpreting its results. First, our data comes from a single organization in China. Hence, its generalizability to other organizations in Asia may be brought into question. To determine the generalizability of our findings, similar studies should be conducted in other countries and industries. Second, to strengthen causal inferences, future research may adopt a within-subject longitudinal approach to capture how the study variables develop over a longer time horizon.

Recent meta-analytic work suggests that transformational leadership is even more positively related to organizational citizenship behavior (Wang

et al., 2011). While the focus of our study was on in-role performance, further research may examine whether organizational identification also mediates the relationship between transformational leadership and extra-role performance (Newman, Schwarz, Cooper, & Sendjaya, 2015).

We have implied that it is positive that transformational leaders engender higher levels of organizational identification due to its performance enhancing effects. Future research may also analyze the problems arising from over-identification (Dukerich, Kramer, & McLean Parks, 1998; Galvin, Lange, & Ashforth, 2015). Individuals who strongly identify with their organization may, for example, be more likely to behave unethically on behalf of the organization and violate ethical societal standards and norms. Hence, future research may analyze how it can be avoided that transformational leaders elicit organizational identification that generates unethical pro-organizational behavior (Umphress, Bingham, & Mitchell, 2010).

## Conclusion

Social identity theory ties the individual's self-concept to a collective and suggests that identification consists of both a cognitive and an affective element. Transformational leaders appeal to both the head and heart of their followers and help them to build and maintain an emotionally satisfying relationship with the organization.

Utilizing multi-source and multi-level data from a Chinese manufacturing company, our study demonstrates that transformational leadership has a positive effect on organizational identification and employee performance, and organizational identification has a positive influence on employee performance. Furthermore, organizational identification partially mediates the relationship between transformational leadership and employee performance. By analyzing organizational identification as an intervening mechanism, we provide a more nuanced understanding of the processes by which transformational leaders influence the job performance of followers in the Asian context.

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# Understanding the Links between Transformational Leadership and Entrepreneurial Orientation in Malaysian SMEs

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## Introduction

Recent review of entrepreneurship literature has suggested that research needs to be done to further investigate the effect of transformational leadership and entrepreneurial orientation (EO) (Arham, 2014). Within the context of SMEs in Malaysia, researchers have identified that there is still a lack of effort being invested to understand the leadership effect of leaders in this industry (Mohd Sam et al., 2012; Hashim et al., 2012). Acknowledging the

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importance of leadership towards entrepreneurial success, this research is conducted to further analyse the effects of transformational leadership towards EO among SME leaders in Malaysia.

EO is becoming a popular subject in entrepreneurship literature (Wiklund, 1999; Rauch et al., 2009). Studies in the field of entrepreneurship have indicated that the better the EO of an SME, the better the performance of the firm (Swierczek & Thanh Ha, 2003b; Rauch et al., 2009). EO is regarded as a strategic orientation of the firm (Covin & Slevin, 1989; Lumpkin & Dess, 1996) and a source of competitive advantage (Lumpkin & Dess, 1996). With relatively limited resources and capabilities, EO is a survival kit and a key for outperforming SME competitors in global markets (Knight, 2000). Regarding SMEs in Malaysia, Abdul Razak (2011) wrote that EO is critical in directing strategic entrepreneurial activities and an important means to achieving better productivity. Thus, the ability of SMEs in Malaysia to possess and exercise EO is central for entrepreneurial success.

The theory of transformational leadership is considered as the most recent and commonly used leadership theory by researchers in the current literature (Pawar, 2003; Lo et al., 2009; Law, 2011; Judge & Piccolo, 2004). This theory also has been associated with the study of EO (Yang, 2008, Arham, 2014). But most of these studies have looked into the effect of transformational leadership as the whole construct or as an independent variable. Literature has suggested that further study needs to be focused on the factor level (Arham, 2014). Thus, this study is conducted to further investigate the effect of transformational leadership at the factor level towards EO among leaders of SMEs in Malaysia. The following are the two research questions that are going to be addressed in this study:

1. Does transformational leadership have significant relationship towards EO?
2. Do factors of transformational leadership have significant contribution towards EO?

It is hoped that the outcomes of this study can provide a further understanding of the effect of transformational leadership towards EO. The empirical findings will justify which factors of transformational leadership will contribute significantly towards development of entrepreneurial activities within the context of SMEs in Malaysia. EO can be considered as strategic orientation of the firm (Arham, 2014), and thus, leadership has been recognised as an important tool to ensure the successful implementation of the firm's strategy (Rajasekar, 2014).

## Literature Review

### Transformational Leadership

To achieve performance above and beyond expectations, Bass (1985) asserted that leaders need to portray themselves as transformational leaders. It has been established that leaders of SMEs in Malaysia viewed themselves as transformational leaders (Arham et al., 2013). Transformational leaders affect and transform their organisation by increasing employees' awareness of the importance of the task and its value, by elevating interest in the organisational goals instead of their personal interests, and by focusing on their higher-order needs. Transformational leaders raise employees' understanding about what is important and increase the need for achievement and self-actualisation (Bass, 2000). They motivate employees to strive beyond their self-interest for the benefit of the group (Bass & Riggio, 2012; Bass, 2000).

Lussier and Achua (2001) described transformational leaders as not afraid to change the *status quo* by informing followers about the problems in the current system and providing a compelling vision of what a better organisation could be. Sarros and Santora (2001) extended the effects of transformational leaders to appealing to followers' ideals and values such as liberty, justice, peace and equality.

Transformational leaders are able to influence followers to put in extra effort due to their commitment to the leader, their intrinsic work motivation, the level of their development or having a clear sense of purpose or mission that drives them to excel beyond a standard performance (Bass et al., 2003; Howell & Avolio, 1993), and they also develop followers to take on leadership roles (Bass & Avolio, 1993).

Most of these studies have suggested that transformational leadership results in better organisational outcomes. Leaders who display transformational leadership qualities are able to engage employees, gauge their interest and motivation and improve their team commitment; all of these translate into better performance.

### Key Factors of Transformational Leadership

Transformational leadership is defined as a process where leaders broaden and raise the interest of their employees. It occurs when leaders generate awareness and acceptance of the purpose and mission of the group and when they inspire their employees to look beyond their self-interest for the benefit

of the group (Bass, 1985, 1990b, 2000). The four factors of transformational leadership are idealised influence, inspirational motivation, intellectual stimulation and individualised consideration (Bass & Avolio, 1990; 2004; Bass et al., 2003; Bass & Riggio, 2012).

Idealised influence refers to a leader who provides vision and a sense of mission, instils pride, and receives respect and trust in employees (Bass, 1990a; Bass & Riggio, 2012). Also known as charismatic attribute, idealised influence is central to the transformational leadership process and is considered as the key component of transformational leadership (Bass, 1985; Yukl, 1989). Leaders of this type create trust and confidence from employees. They demonstrate conviction, take stands and also appeal to employees on an emotional level (Judge & Piccolo, 2004).

The degree to which leaders articulate a vision that is appealing and inspiring to employees is referred to as inspirational motivation. Inspirational leaders communicate high expectations and use symbols to focus effort and convey important purposes to employees in simple ways (Bass, 1990a, 1996; Muenjohn & Armstrong, 2008). In other words, they articulate shared goals and mutual understanding of what is right and important in simple ways to their employees (Bass & Avolio, 2004; Bass & Riggio, 2012).

Intellectual stimulation is an attribute that refers to the degree to which the leader challenges assumptions, takes chances, and solicits employees' views and opinions. Leaders with this attribute incite and encourage creativity in their employees (Judge & Piccolo, 2004). Leaders of this type encourage innovative thinking and allow employees to develop their capacity to solve problems unforeseen by them (Bass & Avolio, 2004).

Finally, individualised consideration aspect of transformational leadership refers to providing personal attention to employees and treats each of them individually (Bass, 1990a; Bass & Riggio, 2012). This is an effort by the leaders not only to identify and satisfy employees' existing needs, but also to enhance and increase those needs in order to maximise and develop employees' full potential. These leaders spend time coaching and giving advice productively by paying close attention to the differences among employees (Muenjohn & Armstrong, 2008).

## Entrepreneurial Orientation

EO is becoming a popular subject (Wiklund, 1999) and is one of the entrepreneurship research fields where the body of knowledge is expanding (Rauch et al., 2009). Covin and Wales (2012) also recognised that the subject of EO as a driving force behind organisational effort to success has

become a central focus of the entrepreneurship literature and the subject of more than 30 years of research. The study of EO is well established in strategy and entrepreneurship research in the USA but is still in its infancy in non-US business environments (Runyan et al., 2012).

Miller (1983) defined an entrepreneurial firm as one that is involved in product-market innovation, willing to take some risks, and is first to come up with proactive innovations. A non-entrepreneurial firm is characterised by a minimum level of innovations, is not a risk taker, and is a follower rather than a pioneer compared to the competitors (Miller, 1983). Lumpkin and Dess (1996) defined EO as 'the process, practices and decision-making activities that lead to new entry' (p. 771). Wiklund and Shepherd (2005) defined EO as the strategic orientation of a firm that captures specific aspects of entrepreneurial decision-making styles, methods and practices. But the definition of EO by Morris and Paul (1987) seems to suit the context of this study. They defined EO as the inclination of a company's top management to take calculated risks, to be innovative and to display proactiveness in their approach to strategic decision-making.

## Entrepreneurial Orientation in Malaysia

Entrepreneurship has become one of the new focuses of economic growth for Malaysia (Othman et al., 2008). However, the literature has suggested that studies on EO in Malaysia, especially in regard to SMEs, are still at an infant stage (Awang & Ahmad, 2005). Previous scholars have concentrated on a theoretical perspective of EO as a universal remedy for improving productivity (Abdul Razak, 2011), the EO of public enterprises (Entebang, 2010), the relationship between distinctive capabilities and EO and the performance of SMEs in the agricultural industry (Awang et al., 2010a, 2010b), EO related to the performance of *Bumiputera* SMEs (Awang et al., 2009; Zainol & Ayadurai, 2011; Zainol & Wan Daud, 2011) and innovativeness, market orientation and firm performance (Lee & Ging, 2007; Hilmi et al., 2010; Hassim et al., 2011).

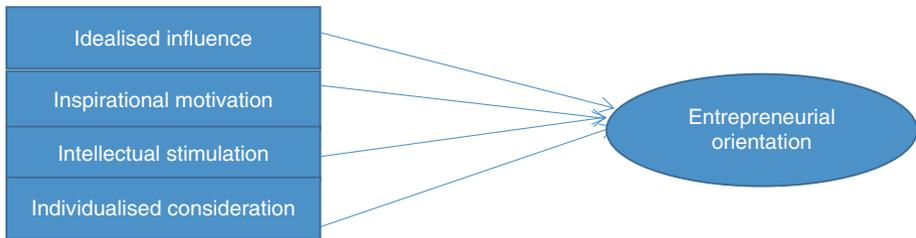
Based upon this literature review, a theoretical framework was developed (Fig. 1).

## Research Hypotheses

Hypothesis 1: There is a significant relationship between transformational leadership and EO.

Hypothesis 2: Transformational leadership has a significant effect on EO.

Hypothesis 2a: Idealised influence contributes significantly towards EO.



**Fig. 1** Theoretical framework

Hypothesis 2b: Inspirational motivation contributes significantly towards EO.  
Hypothesis 2c: Intellectual stimulation contributes significantly towards EO.  
Hypothesis 2d: Individualised consideration contributes significantly towards EO.

## Research Methodology

To be able to provide answers to the research questions and test research hypotheses, quantitative research method is chosen. To generate the respondents of this study, the researcher initiated direct contact with the SME Corporation Malaysia and several other entrepreneurial development agencies to obtain permission to distribute survey questionnaires during events, seminars and training programmes organised by them. Positive feedback was received from some of those agencies, which were willing to assist with the distribution and collection of the survey questionnaires. Malaysian-owned SMEs operating in the manufacturing and services were selected as the target population as these two industries contribute most significantly to the development of economy in Malaysia (SME Annual Report, 2009/10).

As of the period when data of this study was gathered, there were approximately 17,857 SMEs operating under manufacturing industry. Whereas there were approximately 93,121 SME establishments operating under services industry. These numbers representing those SMEs fall under the category of small and medium sized only. Micro SMEs with less than five employees are excluded. The target respondents of this study comprised of the owners or top managers of SME establishments in Malaysia. Since leadership is one of the core variables in this study, they are chosen for the experience and expertise that they possessed as leaders of their business establishments. They are expected to be able to provide feedback regarding their leadership and business orientation.

To minimise the possibility of non-response issue, the questionnaire was prepared in English as well as Bahasa Melayu (national language of Malaysia). Procedures for the translation were followed as suggested by Brislin (1980). The final copy of the questionnaire was then sent to The Malaysian Institute of Translation & Books (formerly known as Malaysian National Institute of Translation) for final editing and translation to ensure the clarity of the language and tone used in the survey questionnaire. A Herman single-factor test was also conducted to assess common method variance (CMV). It can be concluded that CMV did not appear to be an issue in this study since one general factor did not account for the majority of the covariance among the measures (19.5%).

Overall, a total of 700 questionnaires were distributed and 370 responses were received. Of these, 45 questionnaires were not usable for various reasons and thus the approximate response rate for this study was about 46%. It can be concluded that those who did not respond were simply because they refused to participate.

A self-reporting instrument was developed for the quantitative part of this research, containing questions relating to measures of leadership behaviours, EO and demographic background. The measurements for leadership behaviour were adopted from the Multifactor Leadership Questionnaire by Bass and Avolio (2004). They were measured on a five-point Likert scale that ranged from 0 (*not at all*) to 4 (*frequently, if not always*). EO construct, which in this study comprises the initial factors developed by Miller (1983), innovativeness, proactiveness and risk taking. The measurement of these factors was adopted from Covin and Slevin (1989) and Wang (2008). They were measured on five-point Likert scales ranged from 0 (*strongly disagree*) to 4 (*strongly agree*).

## Results

To provide evidence that the two constructs, transformational leadership and all its dimensions and EO produced the data for which they were designed, a series of reliability check were conducted in this study. The results are presented in Table 1. Transformational leadership and EO reported reliable alpha values. All factors of transformational leadership also reported values that were greater than 0.70 (except for individualised consideration) which indicated that the scales were reliable (Nunnally, 1967).

**Table 1** Reliability analysis

Measures	$\alpha$	No. of items
Transformational leadership	0.88	20
Idealised influence	0.73	8
Inspirational motivation	0.74	4
Individualised consideration	0.60	3*
Intellectual stimulation	0.70	4
Entrepreneurial orientation	0.74	11

\*After deleted one item;  $p < 0.05$

## Participant Analysis

A summary of participants in this study indicated that the highest percentage of respondents was the top manager with 58.2% of total population ( $N = 325$ ). The owner represented 41.8%. For age group, the majority of respondents were aged between 31 and 40 years, represented by 45.8% of total population. Respondents aged between 41 and 50 years represented by 26.5% of total population. There were 59.4% male and 40.6% female respondents involved in this study. Majority of respondents were Malays 82.8% of total population. The education level of respondents indicated that almost 60% of total population have had a bachelor or a master degree.

About 53.2% of respondents came from manufacturing industry and the rest came from services industry. The majority of them also employ between 5 and 19 employees with 52.3%. About 27% employ employees between 20 and 50 employees. For sales turnover, about 67% of respondents had revenue of RM200,000 to less than RM 5 million; of these 67.1% can be categorised as small enterprises and the rest medium enterprises.

## Mean Analysis

As can be seen in [Table 2](#), the total mean score of transformational leadership was 2.86. The highest mean score of the four transformational leadership factors was inspirational motivation. This was followed by idealised influence, intellectual stimulation and individualised consideration.

## Hypothesis Testings

Pearson product moment correlation coefficient was used to examine the relationship between transformational leadership and EO of SMEs in Malaysia. As shown in [Table 3](#), transformational leadership has a significant

**Table 2** Total mean scores ( $N = 325$ )

Measures	Mean	SD
Transformational leadership	2.86	0.49
Idealised influence	2.87	0.53
Inspirational motivation	3.08	0.59
Individualised consideration	2.74	0.59
Intellectual stimulation	2.81	0.63
Entrepreneurial orientation	2.58	0.47

positive relationship with EO ( $r = 0.45$ ,  $p < 0.001$ ) which confirms Hypothesis 1 of this study. At the factor level, all factors also have significant positive relationship with EO.

## Effect of Transformational Leadership on Entrepreneurial Orientation

To test H2 and its sub-hypotheses, a standard multiple regression was performed to analyse the significant effect of transformational leadership and each factor on EO. By using the enter method, a significant model emerged ( $F_{4, 320} = 22.910$ ,  $p < 0.001$ ). Altogether, transformational leadership predicted about 21.3% (adjusted  $R^2$ ) of the variability in EO. The result demonstrates that transformational leadership has a significant effect on workplace innovation and thus shows full support for H2.

The results presented in Table 4 also indicated that only H2b and H2c were supported. It shows that only inspirational motivation and intellectual stimulation have statistically significant contribution towards the prediction of EO. Idealised influence and individualised consideration did not make a significant unique contribution to the prediction of EO.

## Discussion

At the factor level of transformational leadership, this study found something different from what has been reported in Western countries. This study found that inspirational motivation has the highest mean of the four transformational leadership attributes at  $M = 3.13$ , followed by idealised influence, intellectual stimulation and individualised consideration. This is quite an interesting finding because most research conducted in Western countries (Tosi et al., 2004; Waldman et al., 2001) has found that idealised or charismatic influence is considered to be the key element of transformational leadership. But in the

**Table 3** Correlations

	Transformational leadership	Idealised influence	Intellectual stimulation	Inspirational motivation	Individualised consideration
EO	0.45**	0.40**	0.41**	0.41**	0.29**
Pearson correlation	0.000	0.000	0.000	0.000	0.000
Sig. (two-tailed)					

\*\* Correlation is significant at the 0.01 level (two-tailed)

**Table 4** Effects of transformational leadership on entrepreneurial orientation

Factors	<i>B</i>	SEB	$\beta$
Idealised influence	0.132	0.075	0.148
Inspirational motivation	0.157	0.059	0.197**
Intellectual stimulation	0.187	0.051	0.249***
Individualised consideration	-0.073	0.050	-0.091

$R^2 = 0.223$ ; adjusted  $R^2 = 0.213$  ( $N = 325$ ,  $p = 0.000$ ); \*\* =  $p < 0.01$ ; \*\*\* =  $p < 0.001$

context of SMEs in Malaysia, inspirational motivation is perceived to be the key attribute of transformational leadership. A similar finding was reported in another non-Western context study in Iran by Jandaghi et al., (2009). Based on data gathered from personnel in private manufacturing companies in Qom, successful companies scored the highest mean for inspirational motivation, followed by idealised influence, intellectual stimulation and individualised consideration.

This evidence of inspirational motivation having the highest mean of all the attributes of transformational leadership suggests that leaders of SMEs in Malaysia believe that steering the organisation to success, communicating high expectations to employees and using the simplest way to convey purposes to employees are the most important qualities of a leader. They believe that creating trust for mutual respect comes second. They also believe that encouraging critical thinking by their employees is more important than providing individual attention to employees. Perhaps it is due to the size of their organisation (which in this study consisted of more small than medium-sized organisations) that the attribute of inspirational motivation is considered to be important for ensuring good organisational performance. Leaders are expected to understand how to communicate high expectations and to show how to achieve good outcomes. Several respondents admitted that because of having employees with minimum or no qualifications they need to be motivational leaders. They believe that leaders who can do this will motivate employees to perform beyond what is normally expected from them.

On a different note, the low mean score of individualised consideration indicates that leaders of SMEs in Malaysia need to practice more of this behaviour. Transformational leadership is concerned with developing employees' capabilities and capacities (Jandaghi et al., 2009). Therefore, paying close attention to the different needs of individual employees and spending time in teaching and coaching could develop the skills and capabilities of their employees to enhance organisational performance.

The results from correlational analysis also indicated that transformational leadership and all of its factors are positively correlated with EO. Previous

study also reported the same result (Arham et al., 2012). Thus, an increase in the practice of transformational leadership could improve the level of entrepreneurial activities within the organisation. This outcome is in line with the findings by Yang (2008), who suggested that transformational leaders and EO contribute to higher business performance. Therefore, leaders who encourage the development of EO and display transformational leadership characteristics could exploit their leadership behaviour to significantly improve the performance of their organisation.

Regarding the effect of transformational leadership and EO, it was found that transformational leadership explained about 21% of the variance in EO among SMEs in Malaysia. The model of this study also was proven to be statistically significant and thus transformational leadership has significant effect on EO.

From regression analysis, the results only indicated that inspirational motivation and intellectual stimulation made the largest and unique statistical significant contribution of the variance in EO. Perhaps inspirational leaders tend to challenge employees to reach high standards, communicate optimism about future goals attainment and provide meaning for the task at hand (Judge & Piccolo, 2004). The full potential of EO can be affected when the workforce develops innovations that are ahead of the competition in terms of quality and speed to market (Lumpkin & Dess, 1996). To achieve this, an organisation needs employees who strive for best-in-class outcomes in product development and product modification (Gumusluoglu & Ilsev, 2009). Therefore, when leaders stress the importance of communicating and collaborating for high expectations this, in turn, improves communication between employees from various departments in the organisation, which is necessary for the effective development of EO. As Covin and Slevin (1991) suggested, a smooth conversion of EO into superior performance requires input and activities from all functional groups in the organisation. On the other hand, leaders with the attribute of intellectual stimulation challenge existing ways of doing things and provide employees with new approaches to problem solving (Eisnbeiss et al., 2008). This would encourage employees' creativity and experimentation (Podsakoff et al., 1990), which is integral to cultivate EO in the organisation.

## Limitations and Future Research

There are few limitations of this study. First, this study relied only on self-reported data from single informants. These respondents may have exaggerated their evaluation of their leadership behaviour, and also the level of

entrepreneurial activities within their organisations. Muenjohn et al. (2012) argued that a self-assessment of leadership behaviour tends to be more inflated than other sources (Muenjohn et al., 2012).

Adopting subjective measures was the second limitation. The use of subjective performance measures might encourage performance evaluation bias, but the results of this study were tested for that bias and there did not seem to be a problem.

Future research is suggested to include the assessment of transactional leadership and comparison should be made between these two forms of leadership behaviours to provide a further understanding of the forms of leadership behaviours within the context of SMEs in Malaysia.

Another sound recommendation is that, perhaps future research also might want to consider the element of culture while studying leadership. As leadership orientation may differ across cultures, culture might be the variable that explains the differences in the findings of leadership studies in the east and the west.

## Conclusion

Literature suggests researchers conduct a study focusing at the factor level of transformational leadership. This research was carried out to fill that gap. The results can potentially contribute to the development of transformational leaders within the context of SMEs' in Malaysia. This research suggests that policymakers and entrepreneurial agencies in Malaysia should focus on developing transformational leadership among SMEs' business practitioners as this form of leadership has been found to account for about 21% of the variance in EO of these SMEs. The development of leadership programmes design for entrepreneurs should also put more focus on developing inspirational motivation and intellectual stimulation skills as these two factors were found to have the most and significant contribution to the variance of EO within SMEs in Malaysia.

To conclude, as the theory of transformational leadership is a Western-developed theory, the application of such theory might be different in Asia. Any Western-developed theory requires careful evaluation before being fully adopted into any of the Asian country. There are many factors that could influence the difference in the practice of leadership in Asian countries and these include the socio-economic, the culture or even the technological development. However, advancements that

have been achieved in many of the Asian countries, such as in Malaysia, could also be attributed to the development of the Western leadership theories.

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# Transformational Leaders in Saudi Arabia

Fiyad Alenazi, Nuttawuth Muenjohn,  
and Adela McMurray

## Introduction

A review of the banking sector in Saudi Arabia demonstrates that there is high pressure on HR departments, managers and supervisors to retain qualified and expert bank employees due to the fast growth in the industry in Saudi Arabia. For almost 100 years, Saudi Arabia had just 11 banks. By 2004, they had 1,216 branches and 4,104 ATMs. But between 2005 and 2013, the Kingdom gained more than 12 new banks, both local and international, a figure that continues to grow. The number of commercial bank branches operating in the Kingdom increased to reach 1,768, with more than 13,883 ATMs in 2013, and the expansion is still ongoing (CDSI, 2013). The capital and reserves of commercial banks increased to reach 234.7 billion riyals in 2013 (SAMA, 2012; SAMA, 2013) All these developments increased the demand for banking employees, especially for experts. A similar situation arose when researchers studied the turnover of hotel managers in Ireland. The scholars claimed that economic development led to a high demand for

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skilled employees, and the turnover increased as a result (Carbery et al., 2003). This situation puts more pressure on the banking sector and requires it to maintain its human resources. Therefore, the results of this research could enhance the relationship between leaders and their employees by focusing on which of the leadership behaviors could help reduce turnover.

In addition, the capital bank in Saudi Arabia (Saudi Arabian Monetary Agency (SAMA)) is concerned about the dramatic growth in this sector and the high demand for banking employees. In 2008, they established several programs to encourage and improve the skills of new graduates to better fit the banking sector. SAMA started other programs targeting women, especially to develop their skills for working in the banking sector (SAMA, 2009). In 2012, the number of programs reached 160, with products especially designed to cover a range of banking needs (SAMA, 2013). As a result of these programs, employees in the banking sector increased from 29,125 in 2006 to 39,157 in 2012, yet there is still a need for more workers to cover needs (SAMA, 2012; SAMA, 2007). This concern from the highest level in the banking sector shows the importance of maintaining bank employees for continued development of the sector. This is the main mission of leaders and human resource departments in any industry. The leaders in this sector try to maintain and improve their employees' skills and performance through different methods, such as increased wages and organizational commitment of employees.

## Literature Review

### Transformational Leadership Theory

Leadership has been in existence since time immemorial. For smooth running of an organization, a good leader has always been sought thorough a recruitment process. Every organization is determined to find a leader who will impact positively. The leaders play the important roles of maintaining and developing an organization's values and excellence (Bass, 1998; Brown, 1992; Kotter & Heskett, 1992; Schein, 1992). Leadership has a transformational effect that leads to innovation and changes in the behavior of people in an organization (Bass, 1998). In connection to this, a leader plays a pivotal role in determining the overall performance of an organization. Therefore, measurement of leadership performance is important for easy establishment of its impact on innovation and organizational culture (Schein, 1992). If a leader does not understand the corporate culture, which is the major setback to change, then organizational performance and required change cannot be

established (Kotter & Heskett, 1992). A leader is therefore a major component in leading organizational change within an organization. He/she must have a clear understanding of the corporate culture in order to achieve the desired results.

Transformational leadership theory refers to the relations between leaders and their employees, colleagues or direct reports. It has been among the most alluded to leadership theories over the past two decades. In the 1970s, change to transformational leadership theory was dominant and became more consolidated in the 1980s.

The work of Burns (1978) drew attention to the ideas associated with transformational leadership when he defined leadership as ‘...the reciprocal process of mobilizing by persons with certain motives and values, various economic, political, and other resources in a context of competition and conflict, in order to realize goals independently or mutually held by both leaders and followers’ (p. 425).

Burns (1978) introduced his transformational leadership theory by distinguishing between transitional and transforming leaders based on the relations between leaders and followers. This was later linked to ethics and morals. A transactional leader relies on rewards and punishment to encourage employee performance. Transactional leaders also stay in touch with subordinates and help them to recognize what must be done to achieve the desired aims. A transactional leader engages in daily exchanges with followers, which is necessary for achieving the custom performance that is agreed upon. On the other hand, transformational leadership is a process that inspires followers by motivating them to their higher ideals and moral values. This type of leader sees the problems in the operations as opportunities to develop and enhance individual and team performance. The transformational leader’s superior leadership performance occurs when leaders broaden and raise the well-being of their subordinates and inspire them to look beyond their own self-interest for the good of the group (Avolio, Waldman, & Yammarino, 1991; Bass & Avolio, 1997; Muenjohn, 2007).

Operationalization by Bass (1985) of the previous work from Burns (1978) developed a model of transformational and transactional leadership (Bass, 1985). He believed that most leaders displayed types of transformational and transactional leadership in varying degrees. This model has been more recently referred to as the ‘full range leadership model’ (Bass & Avolio, 1997).

Leadership has been a main subject of research in psychology for almost 10 decades and has produced thousands of experimental and theoretical studies (McMurray et al., 2010). A leader is seen as a vital and key factor in an organization’s ability to grow, as well as to face any challenges. Generally,

there is a shortage in the supply of leaders. For this reason, some organizations have difficulty growing or competing either globally or locally because it is the leader who is responsible for maximizing and making efficient the organization's productivity (Conger & Benjamin, 1999). Moreover, leaders assist individuals in an organization to go beyond their personal interest for the sake of the common and larger visions of the company (Howell & Hall-Merenda, 2002). Successful leaders believe in people and are driven by a certain set of values, such as personal attention and trust in employees, as well as commitment. These values are related to organizational commitment and positive performance (Ekvall & Arvonen, 1991). At the same time that research has made obvious the significance of leadership in organizations and the role leaders can play with organizations and employees. Other essential issues are relevant in terms of the successful approaches leaders can implement to move a variety of programs forward to success. According to Kezar and Eckel (2008), the subject of appropriate leadership approaches remains one of the most debated issues in the management field.

When defining the term, leader some researchers, such as Riggio and Harvey (2011), argue that there is no acceptable definition for the word leader; however, there is a reasonable purpose to attempt to define the term. This purpose relates to the research being undertaken and the attempt to control the variables in a study. Also, the term leader in the field has two problematic issues. Firstly, its definition will limit the leadership's studies to that specific definition area. Secondly, as leadership studies are to be found in many disciplines and the topic is advanced from other theories, a consensus between researchers will be at 'odds with the way that the language works' (2011, p. 57). Some behaviors identified as having the potential to help the leaders to successfully achieve their targets are a combination of the following: leading, power or authorities' access and adapting to the reality with their subordinates (Riggio & Harvey, 2011).

However, there are various definitions suggested in the literature for the term 'leader', and one of the best examples is that the leader can be defined as the person who persuades a group of people to achieve a group's aims (Burns, 1978). According to Bass (1985, 1998), there are several types of leadership behavior, including transactional, transformational and *laissez-faire*. In this study, leadership is used to refer to banking employees who have authority to motivate, inspire, reward or punish subordinates to encourage them do their task in order to reach the organizational goals. For this study, leaders include those in a supervisory and higher-level position.

Many studies have defined transformational leadership as the most popular leadership behavior, and it is embraced by many organizations

worldwide (Conger & Kanungo, 1998). Transformational leadership essentially offers a purpose that transcends short-term organizational goals by focusing on higher-order needs. Such leadership behavior not only focuses on the allocation of resources but also considers various ways of courting employees' commitment when implementing strategic plans (Burns, 1978). Researchers conclude that transformational leadership cultivates a climate for creating and sustaining change, which integrates employee views and values into day-to-day decision-making (Yousef, 2000).

Transformational leadership has proven useful in the management of modern organizations (Conger & Kanungo, 1998). Accordingly, this chapter aims at providing insights into the manner in which this leadership behavior results in improved organizational commitment and reduces turnover intent. Management and leadership are thought to be the two factors that have greatest influence on organizational performance.

## Transformational Leadership Behavior

Transformational leadership behavior refers to acceptable behavior between the leader and their followers regarding their values, morals and beliefs, in line with Bass and Avolio (1997). Transformational leadership comprises four factors or exhibits four different behaviors, as demonstrated in the work by Bass and Avolio (1990, 1997) and Muenjohn (2007), whose explanation of these behaviors is below.

Idealized influence – The leader shows respect, trust and builds confidence in their followers. Also, they share the values, the vision and the mission with their followers.

There were two types of idealized influence leadership in a recent theoretical development. That was, idealized influence could exert influence based on a perception in the eye of the beholder (Idealized Influence Attributed) or impact based on the behavior of the leader (Idealized Influence Behavior) such as persistence and determination. (Muenjohn, 2007, p. 4)

Inspirational motivation – The leader presents himself as a symbol to attract followers in order to inspire and motivate them. Also, he or she expresses high expectations of the desired goals and vision to be achieved.

Intellectual stimulation – The leader changes and values the ways that followers think about their problems and encourage them to develop new ways to solve problems or challenges that they face.

Individualized consideration – The leader recognizes followers' concerns and needs. Then he or she treats and develops followers individually.

## Transactional Leadership Behavior

Transactional leadership behavior focuses on the roles of supervision and group performance in the organization. The transactional leader makes clear and specific commands to affect performance through motivating workers with rewards and punishments. The primary goal of followers is to obey the instructions and commands of the leader, and careful monitoring of followers is required to achieve the set goals. The transactional leader identifies and is in touch with subordinates to ensure they recognize their job roles and have the potential to reach the goals. There is a clear understanding or kind of exchange agreement in terms of the offer of reward and performance (Avolio, Waldman, & Yammarino, 1991; Bass & Avolio, 1997; Muenjohn, 2007).

Transactional leadership has three behaviors, as reported by Bass and Avolio (1997), Antonakis, Avolio, and Sivasubramaniam (2003) and Muenjohn (2007):

Contingent reward – the leader clarifies the task requirements clearly and then exchanges a reward for good performance or a punishment for a poor performance with followers.

Management-by-exception active – the leader monitors the followers as they work and then takes corrective action as needed should mistakes occur.

Management-by-exception passive – the leader avoids taking any action until the tasks standards are not met. Then, he or she takes a corrective action.

## Transformational Leadership and Performance Outcomes

Transformational and transactional leadership behaviors are essential to various organizations and outcomes. Some studies have reported that transformational and transactional leadership behaviors have positive effects on performance in small business, but transactional leadership has the greater impact (Timothy et al., 2011). Also, both behaviors have positive relationships on organizational effectiveness (Michie & Zumitzavan, 2012). There are positive relationships between leadership behaviors, organizational climate, psychological capital, employee well-being and employee commitment (McMurray et al., 2010). Also, leadership behaviors are a critical factor

associated with organizational innovation (McMurray et al., 2013). Ertureten et al. (2013) found that transformational and transactional behaviors decrease the likelihood of having an unhealthy work environment in which one or more persons unethically harass an individual in a systematic way (the likelihood of mobbing). Yammarino (2013) revealed that leadership behaviors have different consequences for employees and organizations, in terms of satisfaction, performance, turnover, absenteeism, commitment attachment, loyalty and team building.

Transformational leadership is a recent approach to leadership that has been at the heart of much of the research since the early 1980s and is currently the most influential theory of leadership (Hu et al., 2012; Muenjohn, 2007). To demonstrate, from 1990 to 1997, there were 200 theses and doctoral dissertations that considered or examined transformational leadership and transactional leadership (Bass & Avolio, 1997; Charbonnier-Voirin, El Akremi, & Vandenberghe, 2010). Sakiru et al. (2013) asserted that this theory of leadership was the main subject of the current collection of research studies and that it will continue to be of interest to more researchers in the future.

Yammarino mentioned that the transformational leadership theory is one of the top theories at present and that further research still needs to be done in the future (Yammarino, 2013). Avolio, Waldman, and Yammarino (1991) agreed that 'transformational leadership should not be viewed as a replacement for other styles of leadership, e.g., transactional. Rather, it should add to other styles of expanding the leader's 'portfolio of skills' (p. 10). This statement clarifies the importance of investigating both behaviors.

In a variety of organizations, transformational leadership is applied to investigate leadership behavior, for instance, in information technology, health care, education and the military. In several countries, such as Australia, New Zealand, the Netherlands, Canada, the USA and the UK, the theory is broadly employed. Additionally, it has been translated into numerous languages (Muenjohn, 2007).

Bass (1997) asserted that transformational leadership behavior ought to travel across cultures and organizations with few exceptions due to corollary attributes of cultures and organizations. He argued that the universality of transformational leadership is based on the reality that there is a similar hierarchy of correlations between the different leadership behaviors in transformational leadership theory and leadership outcomes in different countries. Even though the theory of transformational leadership appears to be universally valid, the particular behaviors connected with every single leadership factor may differ to some extent. Because the concepts may contain specific

thought processes, beliefs, implicit understandings and behaviors in one culture, which may vary in another, the associated behaviors may occur diversely. In other words, followers around the world desire the concept of transformational leadership, although the exact behaviors may be different from culture to culture (Muenjohn, 2007).

Ertureten et al., (2013) assert that transformational and transactional behaviors are the most effectual leadership behaviors connected with positive organizational outcomes, such as organizational commitment, supervisory satisfaction, organizational citizenship behaviors and performance. A study by Hartog et al. (2012) concluded that transformational leadership plays a specific role in proactive employee behavior by articulating an attractive and challenging vision to employees and stimulating them intellectually. Transformational leadership inspires workers to transcend self-interest and become more motivated and consequently become more effective employees.

These findings are in line with the results from Hamstra et al. (2014). The study investigated whether a supervisor's leadership behavior could be used as a prediction of a subordinate's achievement targets. The researcher data was collected from different organizations in the Netherlands such as retail, informational technology, food service, finance and education. The participants included 120 managers and 449 subordinators. The study focused on leadership behaviors (i.e., transformational and transactional leadership), as well as and their own mastering and performance goals. The results demonstrated that the followers' mastery goals can be predicted by transformational leadership at the group level and within the group. Meanwhile, the followers' performance goals can be predicted by transactional leadership at the group level. These findings illustrate the importance of leadership behavior in the achievement of the goals that followers adopt. The results have shown a significant positive relation between transformational leadership and the followers' mastery goals, both between and within groups. In contrast, transactional leadership has not been related to the followers' mastery goals, neither between groups, nor within the groups. Further, there has been a significant positive relation between transactional leaders and followers' performance goals between groups but not within the groups. On the other hand, transformational leaders were not related to their followers' performance goals, neither between groups, nor within the groups.

Overall, transformational leaders were positively related to the individual's endorsement of their mastery goals, while they were not related to their performance goals. In contrast, transactional leaders were positively related to the individual's endorsement of a performance goal, while they were not related to performance mastery goals (Hamstra et al., 2014).

Tafvelin, Hyvönen, and Westerberg (2014) have conducted a study that focused on the social work context and the importance of transformational leadership in Sweden. They investigated the impact of transformational leadership in relation to two important employee attitudes: commitment and role clarity in the social work organizations. The data, collected from 158 managers via questionnaires, have been analyzed using hierarchical multiple regression to test their hypotheses. The findings have shown a positive correlation between transformational leadership, role clarity and commitment. The results have also illustrated that continuity is needed to support and increase the influence of transformational leadership on employee commitment. This study supports the idea that there is a need to focus on reducing the leader's turnover rate in order to enhance their guidance and ability to motivate their employees to achieve high productivity and performance.

In an earlier study, Ryan and Tipu (2013) have investigated the effect of the leadership factors on innovation propensity. They have used the full range of the leadership model in a non-Western country, such as Pakistan, with data collected from 548 participants using a snowball sampling technique from a wide range of organizations. They have used an exploratory confirmatory factor analysis and structural equation modeling to analyze the data. No leadership factor has been identified for the transformational leadership; however, two distinct leadership factors have been found: active and passive-avoidant leadership. A strong positive relationship has been identified between active leadership and innovation propensity in Pakistani organizations. These results may be related to the different cultures and beliefs and the context of the employees in Pakistan versus a non-Western country.

## **Transformational Leadership in Arabic Culture**

Recent research by Alharthi, Alshehri, and Alkhatib (2014) has investigated the leadership behaviors in the Ministry of Health in Saudi Arabia and its correlation with satisfaction, effectiveness and extra effort. A quantitative approach and a convenience sample have been used to collect the data from 212 participants from the different departments of the Ministry of Health. The results have shown a positive correlation between leadership behaviors and satisfaction, effectiveness and extra effort among the participants. Also, they have shown a negative correlation between *laissez-faire* and satisfaction, effectiveness and extra effort. In addition, no significant differences have been found in relation to the leadership behavior due to gender, marital status or age of participants.

In his study, Aljameely (2008) has explored the relationship between leadership behavior and the level of empowerment among 172 Majlis Ash-Shura staff in Saudi Arabia. The Majlis Ash-Shura is a qualified and expert group of people, who have worked in and come from several disciplines. Their task involved acting as a consultative national council for all the ministries and departments in the country.

Majlis Ash-Shura was considered to be and update to what had already existed by enhancing the council's frameworks, methods, and means and injecting efficiency, organization, and vitality into them. This was done to ensure that the council could cope with the rapid developments the country has seen in recent years in all fields, and to keep pace with the demands and requirements of modern times. (Majlis Ash-Shura, 2015, [www.shura.gov.sa](http://www.shura.gov.sa))

A quantitative approach has been used to determine the objectives. The data from the survey of Majlis Ash-Shura employees has been recorded and analyzed. The result has revealed that the main behaviors used in the Majlis Ash-Shura were transformational, co-leading and strategic. The findings showed a significant relationship between the leadership behavior and the level of empowerment in the Majlis Ash-Shura. Seven levels of empowerment have been identified such as the easiness with which the employees approach their managers, the administration facilitating access to information sources, the encouragement and support of thoughts and ideas to improve performance, and the provision of chances and opportunities to employees to develop their skills and abilities. A correlation has been identified between age and tenure and the adoption of leadership behavior; no correlation has been found between the level of education, training, and marital status and the adoption of leadership behavior (Aljameely, 2008).

To contrast the leadership behavior between expatriate and national managers in the UAE, Bealer and Bhanugopan (2014) have examined a sample of 213 participants from different countries and institutions. They have found significant differences between the two groups in two factors. The UAE managers were less transformational in their leadership and utilized more passive avoidance than the managers from the USA and Europe, possibly a result of the difference the background of the employees in the UAE and the USA. Another reason for the difference might lie in the relationship satisfaction between the employees and their supervisors. The study recommended that further research be undertaken on a large sample in the Middle Eastern region.

## Research Methodology

### The Population and the Sample Size

Since the objectives of this research are to determine the relationship between leadership behaviors and turnover of banking leadership, therefore, the target is the leadership in the banking sector in Saudi Arabia. A questionnaire was distributed via SAMA to the human resource department of each bank to request that they randomly sample their employees, with the condition that respondents should be at a managerial level in the bank. It covered 23 international and local banks in Saudi Arabia and respondents included high-level managers, managers, senior managers and supervisors in the banking sector.

Because there is no data available on management staff numbers, the number of managers will be estimated using the available data. The management staff can be estimated based on the total employees and the number of bank branches. To estimate the number, let  $x$  be the number of all workers and  $y$  be the number of managers such that  $y \geq a$ , where  $a$  is the number of bank branches. If it is assumed that each three workers are supervised by one manager, then each group is assumed to consist of four workers, including one manager. Hence, the above formula was used. It can be concluded that the number of managers is given by the formula

$$y = \frac{x}{4}, y \geq a$$

In the line followed in our research, we have

$$y = \frac{40,000}{4}, y \geq 1,768$$

$$y = 10,000 \text{ managers}$$

The number of employees at managerial levels in the banking sector in Saudi Arabia is, therefore, estimated to be approximately 10,000.

### The Instrument

The instrument is a self-evolution report, which contains 44 items in three sections (demographic characteristics, transformational leadership behavior and intention to turnover). The demographic characteristics consists of seven

items, which are age, educational level, marital status, occupational category and tenure (numbers 1 to 5, in section 1 of the survey). The transformational leadership behavior section comprised 32 items (numbers 6 to 37, in section 2 of the survey); the turnover intent consisted of 7 items (numbers 38 to 44, in section 3 of the survey).

Leadership behavior was measured by the Multifactor Leadership Questionnaire (MLQ\_X5) developed by Bass and Avolio (1997). The 'MLQs are the most widely used instrument for measuring leadership' behavior (Obiwuru Timothy et al., 2011, p. 104) and are 'considered the best validated measure of transformational and transactional leadership' (Özaralli, 2003, p. 338). Hence, the coefficient alpha reliability for this study, estimated to be between  $\alpha = 0.82$  to  $0.84$ , is acceptable. Thus the MLQ will provide an acceptable reliability score. The turnover intent was measured by the global measure of job embeddedness, as developed by Crossley et al. (2007, 2011). Seven items were used to capture four factors: organization, community, work and non-work factors. However, the coefficient alpha reliability estimated for the study's scale is  $\alpha = 0.83$ ; this score shows a high reliability (Hair et al., 2011).

The estimated size of the management staff that has been approached to participate is predicted to be 1,768. There were 438 surveys returned. Sixty-two questionnaires were identified as incomplete and were eliminated from the data thereby leaving 376 completed usable questionnaires representing a response rate of 25%. As previously estimated, the number of employees at managerial levels in the banking sector in Saudi Arabia is approximately 10,000. However, according to Sekaran and Bougie (2010) a total of 370 respondents would be required for a population of 10,000 in this research, with a confidence level of 95%. Therefore, the sample size is appropriate and acceptable according to Sekaran and Bougie (2010).

## Results and Findings

### Demographic Characteristics of Respondents

The age, educational level, marital status, occupational category and tenure were at the beginning of the questionnaire. A summary of the statistics used to describe the data is given in Table 1. With respect to their age, Table 1 presents the distribution of the sample population. While eight age categories were used, the majority (almost half) of the respondents (46%) were in category 2, aged between 25 and 34 years. The group, aged under 25

**Table 1** Demographic characteristics of respondents

Demographic characteristics		Frequency	%
Age (years)	Under 25	78	20.7
	25–34	173	46
	35–44	68	18.2
	45–54	42	11.2
	55–64	8	2.1
	≥65	7	1.9
Educational level	High school or less	37	9.8
	Diploma	75	19.9
	Bachelor	165	43.9
	Master's degree	99	26.3
	Doctoral degree	0	0
	Others	0	0
Marital status	Single	141	37.5
	Married	235	62.5
	Others	0	0
Occupational category	Executive manager	0	0
	General management	32	8.5
	Senior management	14	3.7
	Administration branches	156	41.5
	Branch manager	174	46.3
	Assistant management	0	0
	Executive officer	0	0
	Supervisor	0	0
	Others	0	0
Tenure (years)	≤4	206	54.8
	5 to <10	77	20.5
	10 to <15	55	14.6
	15 to <20	38	10.1
	20 to <25	0	0
	25 to <30	0	0
	≥30	0	0
The total		376	100

years, was the second largest category and it represented 20.7% of the sample. These two percentages together (46% and 20.7%) show that two-thirds of the sample population are younger than 34 years. The third category, those aged between 35 and 44 years, contained 18.1% of the sample. The fourth category, aged between 45 and 54 years, represents 11.2% of the sample. The fifth and sixth aged categories, between 55 and 64 years, and over 65 years, each represented 2.1% and 1.9% respectively of the sample.

Table 1 shows that most respondents were well-educated. Approximately 70% of the respondents had bachelor's or master's degrees. The most common degree was the bachelor degree: 43.9% of respondents had

bachelor's degrees, 26.3% of respondents had master's degrees, 19.9% of respondents had diplomas and less than 10% of respondents had only high school qualifications.

Table 1 shows that most of the sample population 62.5% is married, while the single respondents comprised 37.5% of the sample. There is not any participant who is divorced or widowed in the sample of population.

Table 1 includes nine occupational categories of the sample population. The highest number of the respondents (46.3%) fell into the branch manager category. The next largest category (41.5%) was the administrator branch. Those two categories represented 87.8% of the sample population. Further, the general management positions represent only 8.5% of the sample. The last category of senior management positions represents just 3.7% of the sample population.

Table 1 shows the number and the percentage of the respondents regarding their tenure in the bank. The first category is for 4 years or less, which comprised 54.8% of the sample, or more than half of the respondents. The second tenure category is 5 to less than 10 years, being 20.5% of the respondents.

## Means and Standard Deviation of Leadership Behavior

Table 2 presents the mean and standard deviations for the transformational leadership behaviors as being  $M = 3.06$  and  $SD = 0.44$ , respectively. The results indicate that the respondents consistently display transformational leadership behaviors in their daily bank behaviors. The transformational

**Table 2** Mean and standard deviation for the leadership behaviors

Leadership behavior		Mean	SD
<i>Transformational leadership</i>			
Idealized influence attributed	IIA	3.21	0.52
Idealized influence behavior	IIB	3.26	0.52
Inspirational motivation	IM	3.20	0.62
Intellectual stimulation	IS	2.93	0.68
Individual consideration	IC	2.71	0.64
The total of transformational leadership	TFL	3.06	0.44
<i>Transactional leadership</i>			
Contingent reward	CR	3.09	0.49
Management by exception-active	MBEA	2.73	0.80
Management by exception-passive	MBEP	1.74	0.93
The total of transactional leadership	TAL	2.52	0.59

**Table 3** Mean and standard deviation of the intention to turnover

Intention to turnover	Mean	SD
Intention to turnover	3.11	0.66

leadership results were further explored to determine whether there were differences between factors. Comparing the transformational leadership factors together, the behavior being most displayed was the idealized influence behavior, which scored  $M = 3.26$  with  $SD = 0.52$ . The idealized influence attributed was the second factor, with a score of slightly less ( $M = 3.21$  with  $SD = 0.52$ ). Next was the inspirational motivation factor, which scored  $M = 3.20$  with  $SD = 0.62$ . It was followed by the intellectual stimulation factor, scoring  $M = 2.93$  with  $SD = 0.68$ . Lastly, the individual consideration factor scored  $M = 2.71$  with  $SD = 0.64$ .

Table 3 shows that the overall mean score of the transactional leadership behavior was  $M = 2.52$  and the standard deviation was  $SD = 0.599$ . This score means that the respondents display transactional behavior in the bank. The contingent reward is the highest mean score at  $M = 3.09$  with 0.49 standard deviation. Management by exception-active scored  $M = 2.73$  and  $SD = 0.80$ . The lowest mean score was management by exception-passive, which scored  $M = 1.74$  and  $SD = 0.93$ . The high score of standard deviation indicates that there are differences among respondents relating to displaying these behaviors in the bank.

## Means and Standard Deviation of the Intention to Turnover

The turnover intent measured by the global measure of job embeddedness, as developed by Crossley et al. (2007, 2011). There were seven items used to capture four factors: organization, community, work and non-work factors. These factors work together to involve workers in their current job and organization (Crossley et al., 2007, 2011). Only six items used in the study as there is one items dropped from the measurement during the assessment of the reliability and the goodness of fit.

Table 3 presents the mean and standard deviation for the turnover. The mean score is  $M = 3.11$  and the standard deviation is  $SD = 0.66$ . The result indicated that there is an undecided intention to turnover among the respondents, but the standard deviation result revealed that there is a difference between the sample populations.

## Leadership Behavior and Turnover

### Transformational Leadership Behavior and Intention to Turnover

To examine the relationship between the transformational leadership behavior and the dependent variable; which is an intention to turnover, a simple regression has been conducted in SPSS and the outputs of the test are explained below.

From Fig. 1, the transformational leadership behavior as predictors has  $r = 0.117\%$  impact on the intention to turnover as the dependent variable. This value of correlation considered as slight or almost negligible (Hair et al., 2010). However, the correlation is significant, the  $p$  value  $< 0.05 = 0.024$ . The result shows that transformational leadership behavior affects positively the intention to turnover.

The multiple regression analysis results of testing the relationship between idealized behavior, inspirational motivation, intellectual stimulation and individualized consideration with intent to turnover are presented in Fig. 2. The leadership behaviors have a weak relationship with intent to turnover, for example, idealized behavior, intellectual stimulation and individualized consideration explain  $r = 0.11$ ,  $-0.02$  and  $-0.05$ , respectively. Inspirational motivation has a significant positive relationship with intent to turnover, which is about  $r = 0.14\%$ . It could be concluded that there is a significant relationship between inspirational motivation and intent to turnover in this study.

### Transactional Leadership Behavior and Intention to Turnover

To examine the relationship between the transactional leadership behavior and the intention to turnover, a simple regression has been conducted in SPSS and the results explained below.

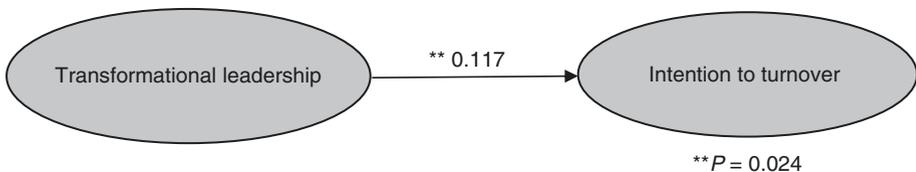
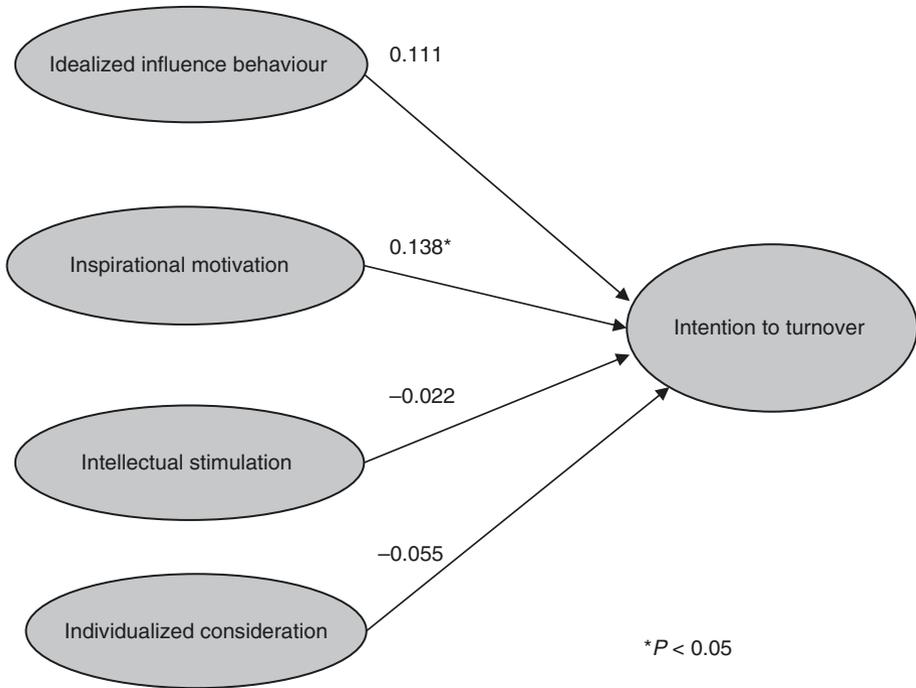
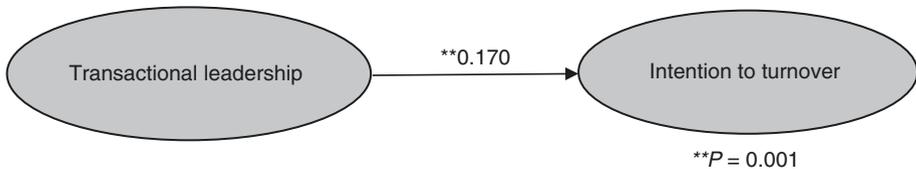


Fig. 1 Relationship between transformational leadership behavior



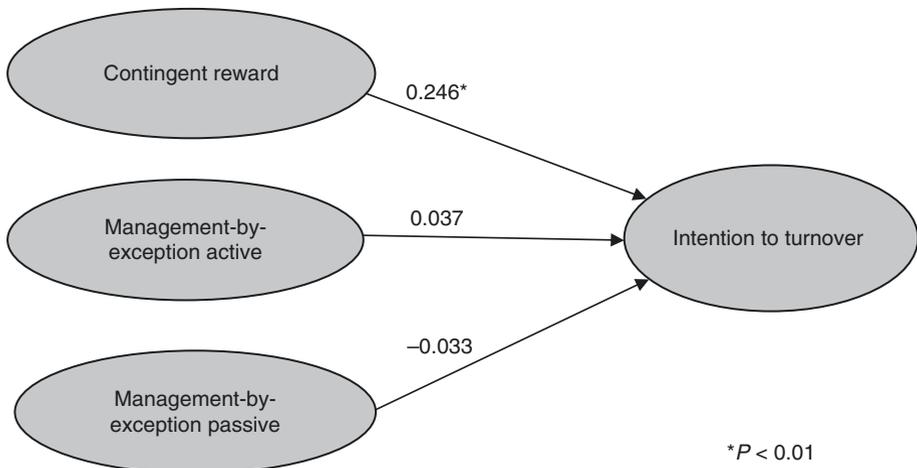
**Fig. 2** Relationship between transformational intention to turnover



**Fig. 3** Relationship between transactional and intention to turnover

From Fig. 3, the transactional leadership behavior as predictors has  $r = 0.170\%$  impact on the intention to turnover as the dependent variable. This value of correlation is considered slight or almost negligible (Hair et al., 2010). However, the correlation is significant, the  $p$  value =  $0.001 < 0.05$ . The regression test between the transactional leadership behavior and the intention to turnover concluded that there is a significant positive relationship between the variables.

In this section, the relationship between the factors of the transactional leadership has three factors (contingent reward, management-by-exception



**Fig. 4** Relationship between transactional behavior and intention to turnover

active and management-by-exception passive) and intent to turnover is examined. To test the relationship between the factors of the variables, multiple regression analysis involves multi-independent variables to predict a dependent variable used in this section.

Figure 4 presents the multiple regression analysis results of the relationship between contingent reward, management-by-exception active and management-by-exception passive with intent to turnover. It shows no significant relationship between management-by-exception active and management-by-exception passive with intent to turnover. The transactional leadership factors have limited relationship with intent to turnover, for example, management-by-exception active and management-by-exception passive, predict  $r = 0.03$  and  $-0.003$ , respectively. Meanwhile, contingent reward has a positive significant relationship with intent to turnover, which is about  $r = 0.24\%$ .

## Discussion

The study identified the relationship between the leadership behavior and intention to turnover in the Saudi Arabian banking sector. It explored the relationship of eight leadership behaviors with intention to turnover, which are transformational leadership and its five factors (idealized influence attributed, idealized influence behavior, intellectual stimulation, inspirational motivation and individualized consideration) and transactional leadership

and its three factors (contingent reward, passive management by exception and active management by exception) (Bass & Avolio, 1997).

The result in Fig. 1 revealed that there is a significant relationship between transformational leadership behavior and intention to turnover. In other words, displaying a transformational leadership behavior affected intention to turnover by about  $r = 12\%$  of the sample population. The result from the data in Fig. 3 revealed that transactional behavior affected intention to turnover significantly by  $r = 0.17\%$ . Analyzing the transformational leadership behavior of factor levels demonstrated a difference between the analysis as transformational leadership as a full concept and factor levels. The results confirmed the relation between transformational leadership as full concept and intention to turnover; meanwhile, the analysis of factor levels showed different results. For example, the relation between idealized influence behavior, intellectual stimulation and individualized consideration with intention to turnover was not supported by the results. On the other hand, the relationship between transformational leadership and intent to turnover was a significant relationship. Analyzing the transactional leadership behavior of factor levels illustrated a difference between the analyzing transactional leadership as a full concept and of factor levels. The results confirmed the relation between transactional leadership as full concept and intention to turnover; meanwhile, the analysis of factor levels showed different results. For example, management-by-exception passive and management-by-exception passive were found to have insignificant relation with intention to turnover.

The findings revealed there is a high intention to turnover between the respondents. This finding is consistent with Zheng and Lamond's (2010) findings that when economic growth increased in China, the rate of employee turnover increased. Zheng and Lamond (2010) pointed out that turnover rate may rise in a more advanced economy with high demand for experienced or skilled employees. This outcome is especially true in service industries, such as banking, because the employees in these sectors have transferable skills and may receive better employment offers. Another possible reason is that they take advantage of training opportunities that are offered in the sector and become upskilled workers and therefore more attractive to competitors. Zheng and Lamond (2010) clarified that the decision of leave or stay in an organization is quite complex and it is combination of different factors, such as career development opportunities, remuneration, general employment conditions, job satisfaction and work culture.

This situation can be applied to leaders in the Saudi Arabian banking sector. The current high growth in the Saudi Arabian banking sector,

combined with a shortage of employees, in general has put pressures on banking leaders to retain their employees, especially in relation to leadership ability to maintain growth and fill the high demand for banking employees. On the other hand, the banking growth will generate more job opportunities to skilled and trained employees. Since 2005, there has been high growth in the Saudi Arabian banking sector. Consequently, there is a potential to increase the turnover rate among banking employees. Khatri et al. (2001) explained the high turnover by the high employment opportunities in industry. The dramatic growth in the banking sector generated high demand for banking employees in Saudi Arabia. Establishing new banks (12 banks) in relatively few years created 'poaching', a term that refers to a competitor offering a better compensation packages to an employee to leave their current company and joined them (Khatri et al., 2001). This is similar to what is happening in the Saudi Arabian banking sector.

Skilled, trained and experienced employees become more attractive (Khatri et al., 2001) to the new banks that recently established in Saudi Arabia. Employees in the service industry, such as banking, have a tendency to be more mobile from bank to bank or from one location to another (Zheng & Lamond, 2010).

Employee shortage could be a reason for high turnover rate in a sector. This is an external factor and the companies do not have any ability to control it. In other words, it is an uncontrollable factor (Khatri et al., 2001). Saudi Arabia faces a shortage of employee numbers to maintain the growth in the bank sector (SAMA, 2009).

The findings could be supported by the finding of Ali and Yangaiya's study (2015). They found that teachers' commitment mediates the relationship between distributed leadership and school effectiveness in Katsina state, Nigeria. They refer commitment to staff who are committed both organizationally and professionally. Hence, the commitment plays a role in the relationship of leadership behavior with employees' outcome. Considering the Saudi Arabia banking employees' turnover, it could be found that the majority of the employees have less than four years in the bank. Therefore, it assumes that the employees are in the early stage of building their commitment to their bank, and this could reduce the impact of the leadership behavior on their employees.

This could be attributable to a few reasons. According to Hofstede (2011), the difference between cultures could play an important role in the personnel value, practices, power distance, uncertainty avoidance, long- to short-term orientation and organizational culture. In addition, he declared that 'there is

something common in the behavior of bank employees, journalists, policeman, or university professors from one contrary to another' (Hofstede, 1981, p. 27). The culture influences organizations through the influence on organization objectives, goals, structure, decision-making processes and reward system (Hofstede, 1981). Western culture is referred to as an individualist culture; meanwhile, Arabic culture is known as a collectivist culture. Hofstede clarified that leadership behavior varies from one culture to the other, which is socially detrained. The author mentioned that a significant difference in leadership behavior could be produced by national culture and which appears to be desirable in one culture, while it could be not attractive in another culture (Hofstede, 1980, 1984).

From a practice perspective, the findings suggested the need for more research in leadership behavior and turnover in the Saudi Arabia banking sector to reduce the turnover and increase the commitment among employees, especially the new employees. During the growth of a sector, such as the Saudi Arabian banking sector, there is a need to find alternative ways to support and assist leaders retain employees and reduce the turnover rate. For example, the Human Resource Management (HRM) could help the leaders to establish employees' development plan from the beginning until reaching an acceptable stabilized commitment and involvement with other employees in the bank. The HRM could introduce others' leadership behaviors in the bank if a specific leadership behavior does not work well in a dramatic growth sector. They should elicit the favorable leadership behavior among employees and manage them in preferable ways (Amankwaa & Anku-Tsedee, 2015).

The main contribution of this study is evidenced in developing a better understanding of the leadership perspective. This is achieved through analyzing, in depth, the relationships among each of the leadership behavior factors and intention to turnover.

It is expected that the results might enhance the skills of leaders regarding how to direct, motivate and improve the capacity of their workers and to maximize their efforts in the organization. Our understanding of the relationship could offer insights into a number of aspects of leadership behavior of Saudi Arabia employees in the bank sector. It could enhance the selective behavior of the leaders in many organizations to understand and adopt leadership behaviors that are appropriate in performing as leaders. Furthermore, the findings could reduce the turnover in the bank sector in Saudi Arabia by understanding the relationship between leadership behaviors and turnover. The study will make a significant contribution to the banking sector as it is the first research to date that addresses this sector in Saudi Arabia.

## Future Research

We recommend further studies would benefit by investigating the impact of the leadership behavior of turnover in other industries and countries in order to compare the results. In addition to that, investigate the relationship between turnover and other leadership behaviors such as ethical leaders, situational leaders, environmental leaders and compare the results. We recommend that a comparative study be undertaken between the continents, for example, Asian versus American leaders or other regions. In future study, we recommend that it would benefit including the culture into the study. A comparative study be undertaken between the local and international banks, for example, Saudi Arabian banks versus American banks. It could benefit by investigating the personnel profile on leadership behaviors, such as nationality and gender.

## Limitations

The present study analyzed the relationship between the demographic characteristics and transformational leadership in the Saudi Arabian banking sector. Although the study was limited to Saudi banking firms, the findings can be generalized to provide a wider understanding of the phenomena. There were limitations in the target and timeframe of the cross-sectional study. The sample population was selected at one point in time: the beginning of 2015. If the data had been collected at two or more points in time over several years, it would have yielded more in-depth trends and reduced bias. In addition, the study targeted only leaders and managers in the Saudi Arabian banking sector. Therefore, the results may only be applied to leaders and managers in the banking sector. There is thus a possibility that the results cannot be generalized to other employees in other industries.

Leadership and management levels were addressed as one uniform type without analyzing the differences between cross-level or cross-sectional leadership behaviors in banks. This should be considered because it may influence the leadership behaviors according to employees' levels of authority or the tenure in the bank.

The Saudi Arabian culture is considered collectivistic. The objective of this study was to determine the relationship between the demographic characteristics and leadership behaviors in the banking sector. The interest was therefore limited to the main objectives of the study, and the influence of culture was beyond of the scope of the study. This limitation might be questioned as it may have directly or indirectly influenced leadership behaviors.

The researchers are aware of the issues that are associated with the MLQ (Özaralli, 2003). However, the MLQ is well established and reported a good validity and reliability in previous studies. This instrument remains the most cited leadership instrument (Bass & Avolio, 1997) to assess and capture leadership behaviors. The results in the current study must therefore be interpreted in light of these limitations.

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# Global Leadership Practices Rooted in Spirituality: An Indian Context

Damini Saini

## Introduction

The business world and the mankind over the ages had been experiencing transgressions. All the more as of late through the traumatic time of corporate embarrassments on the planet amid the most recent couple of years, these indignities shook of the certainty and trust of the people from the corporations. From Enron to Anderson, Satyam to 3G Scam, each episode is a revelation of the wrongdoings and deceptive exercises by them and additionally their political partners (Shirur, 2011; Datta, 2012). The never-ending list of failed firms trapped in these scams and also the magnitude of their negligence for profit maximization with complete disrespect to well-beings of their staff and customary shareholders indicates the sidelined importance of business ethics and values. These degenerations of the morality within the top-ranking firms and industries in repetitive manner made us to re-evaluate the current leadership styles and their practices.

WorldCom's Bernie Ebbers and Enron's Ken Lay exemplify the leaders who had failed to provide the morale and ethical leadership and their organizations faced the financial scandal that resulted in the largest bankruptcy (Trevino & Brown, 2005; Shirur, 2011). Further, Andrew Fastow and Jeffrey Skilling of Enron, Dennis Koslowski of Tyco, and Ramalinga

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Raju of Satyam are the other names in the list of leaders who were successful but failed on the scale of integrity (Chandler, 2009; Bhasin, 2013). In the current scenario it is hard to find such business leaders, despite the fact that we should expect and hope that our leaders will at least fail less than most people at meeting ethical standards, whereas following and achieving the goals of their constituents (Ciulla, 2004), and their canvas of values should be larger and wide. We need a leader who can provide more than rules, regulation and ethical codes. We require a leadership that should have a strong spiritual base to help and develop the idea of universal oneness and unity in the leaders. The rich spiritual culture of Asian countries can provide the base for such kind of leadership that could impact globally. This chapter provides an understanding of the impact of spiritual values in the top management in Indian context. I commence the chapter by casting a glance on the unethical behavior of leaders citing instances from the real-life cases, defining leadership and spirituality and exploring the connection between leadership and spirituality. Further an empirical analysis has been taken into context and in the end I have discussed the findings and conclude how it complements and fits in the present scenario.

## Background

Corporate manipulations of Enron, WorldCom, Arthur Andersen, Adelphia, Satyam, etc., have brought the prevalence of corporate frauds out in the open (Shirur, 2011). The contemporary fiscal crisis has been brought about by corporate greed and the unquenchable quest of the corporate leaders. Their quest of corporate profits is beyond the level of fair and appropriate belief and absolutely shameful (Cruver, 2002). Senior managers, accountants and business leaders have been found involved in improper allocation of expenses in the financial statement, bewildering deals, falsification of accounts, manipulation of data, false valuation, etc., in these big corporate scams (Shirur, 2011; Chandler, 2009). Other than this the unethical behavior practiced by employees and the business leaders include favoritism/nepotism, moral hazard, lying, greed, free riding, white-collar crime, frauds and bribery.

Long before, Trevino (1986) speculated that since unethical practices cost the industries a loss of billions of dollars a year and damage the image of corporations, the emphasis on ethical behavior in organizations has increased

over the recent years. As an example of self-interest over the interest of the organization I refer a great accounting scam that happened in the corporate world of India. Satyam IT Services, a rising IT firm, was suddenly trashed and became a centerpiece of a massive fraud in 2009. The company's founder and chairman, Ramalinga Raju, admitting that he made profits for years, wrote a letter to the Satyam Computers Limited Board of Directors that 'he had been manipulating the company's accounting numbers for years'. He claimed that he overstated assets on Satyam's balance sheet by \$1.47 billion (Shirur, 2011; Bhasin, 2013). Bhasin (2013) stated that greed for money, power, competition, success and prestige compelled him to 'ride the tiger', which led to violation of all duties imposed on them as fiduciaries – the duty of care, the duty of negligence, the duty of loyalty, the duty of disclosure toward the stakeholders.

Satyam's case fits best where the leaders who are primarily accused of dishonest indulgences (money, status, power), as Ramalinga Raju, understated profit and under-passed money to his subsidies, then misrepresented the facts as Raju claimed that profit was only 3% whereas the industry norm is 25% and finally committed big blunder of putting their organizations at loss (Shirur, 2011). Similarly during the financial crisis, Lehman CEO Richard Fuld refused to recognize that Lehman was undercapitalized. His denial turned balance sheet misjudgments into catastrophe for the entire financial system; he persistently rejected advice to seek added capital, deluding himself into thinking the federal government would bail him out and during the crisis he had run out of options other than bankruptcy (George, 2011). At the core of every company hundreds of decisions are made according to its values such as innovation, customer service, etc.; thus the social responsibility of a business requires the implementation of ethical values. Most organizations promote idealistic values highlighting respect and integrity, for example, Enron's written value statements (Code of Ethics, 2000), but often leaders in companies make decisions according to interest in their personal outcomes, as what most benefits them and improves their life, rather than what is best for customers, employees and other stakeholders (Padilla, Hogan & Kaiser, 2007). Every individual also has his own values when the leader demonstrates the morality in actions the employees follow the blueprints. Henceforth the related perspective phenomenon of spirituality carries a huge importance in creating a spiritually rich environment for social and economic growth in the corporate world.

## Theoretical Concepts

### Leadership: The Normative Aspects of Definition

Firstly this part of the chapter examines about the term leadership, and then it briefly casts a glance upon the theories and models of leadership from the literature available one can find the innumerable definitions of leadership (Shields, Bredemeier, Gardner & Bostrom, 1995; Goethals, Sorenson & Burns, 2004; Kouzes & Posner, 2007). House, Wright and Aditya (1997) defined leadership in the organizational context as ‘an ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members’ (p. 184). Most definitions of leadership talk about the capability of motivating or inspiring others to capture the mutual objective, excluding the complexities involved in the exploration of leadership (Rauch & Behling, 1984; Cohen, 1990; House et al., 1997). Besides this, Bass (1960) argued that an appropriate definition for the study of leadership depends upon the purposes of the study, as the definition of leadership varies in the terms of capability of leader (Jaques & Clement, 1994), mutual influence relationships of leader and follower (Tannenbaum, Weschler, & Massarik, 1961) and goal orientation (Prentice, 1961), etc. Researchers and scholars have made significant efforts to understand and define leadership despite ongoing debates about the concepts and models of leadership (Hogan & Hogan, 2001; Yukl, 2002). However, neither becoming a leader nor explaining the concept of leadership is easy (Bennis, 2003). The ability to become a leader is based on the assumption that leaders are people who are able to express themselves fully – we still need to understand a leader as a whole person who expresses him/herself through his/her body, mind, emotion and spirit (Bennis, 2003; Fairholm, 1998, Jarvis, 2005).

### Leadership Models and Theories: A Quick Glance

The traditional leadership models, defined the behavior of a leader in terms of leader-follower relations, setting goals, providing track and support, and reinforcement behaviors but the new leadership models emphasized upon emblematic leader behavior; visionary, inspiring messages; emotional feelings; ethical and moral values; individualized attention; and intellectual stimulation, which have been called the new genre leadership and constitutes charismatic, inspirational and visionary leadership (Bass 1985, 1990;

Bass & Avolio, 1990; Bass & Steidlmeier, 1999; Conger & Kanungo, 1998; Tirmizi, 2002). Leadership theory can be studied from at least five perspectives: the trait approach, the behavioral approach, contingency approaches, the role approach and emerging theories. The traditional theories represent the first four theories. Pioneering studies on trait theories were accomplished several years ago by the researchers as (Mann, 1959) these theories depend upon specific personality traits, based on the statement that leaders are born and not made and propose that people are born with inherent traits that make them effective leaders, whereas behavioral theories posit that good leaders can be made rather than born, and, therefore, successful leadership is based upon characteristic traits and behaviors, which was discarded by Stogdill (1948), who pointed out that the trait approach was too simplistic to explain leadership phenomena.

Then came the behavioral approach that attempts to determine the types of leadership behaviors that lead to successful task performance. Researchers at Ohio State University performed an extensive series of leadership studies in developing this theory. Work done independently at the University of Michigan on leader behavior came to similar conclusions. These approaches depend upon the behavioral style of leaders rather than personality traits (Blake & Mouton 1964). The contingency or situational approach holds that there is no universal approach to leadership phenomena but moderately effective leadership behavior depends on situational factors that may change over time (Vroom & Yetton 1973). Current leadership theories are based heavily on this approach, which state that effective leadership be subject to three variables: the leader, the managed and the circumstances. Other two contingency models of leadership – House's Path-Goal model (1971) and Hershey and Blanchard's Situational Leadership model – have a special place in situational theory context. Situational or contingency leadership suggests that the best course of action for a leader to take depends upon a range of situational factors such as the motivation and capability of the followers that may change over time (O'Toole, 1996; Tirmizi, 2002; Yukl, 2002). The role approach proposes that leaders perform certain roles in order to be effective. It is similar to the trait and behavioral approaches, but also takes into account situational factors.

The term charismatic leadership was first coined by Max Weber (1968). Charismatic leaders are often visible in the times of distress. Bass (1985) stated that charismatic leadership arises when crisis is chronic. Then the concepts of transformational and transactional leadership were introduced by Burns (1978). He considered leaders to be either transformational or transactional. He described transactional leaders as those who lead others in

interchange for something of value; he further compared transactional leadership with transformational leadership and distinguished that transforming leaders influence the moral values of the followers and inspire them to reform and renovate their organizations. This research is basically stimulated by the diminishing morality in the corporates; consequently, for the purposes of this literature review, the researcher has to focus on leadership theories that are based upon values. In values-based leadership, or 'values-centered leadership' (Secretan, 1997, p. 42), the main focus is on values as the basis for building commitment to an organization by adopting up the personal values and organizational values.

According to Shamir, House and Arthur (1993):

This new genre of leadership theory, such leaders transform the needs, values, preferences and aspirations of followers from self-interests to collective interests. Further, they cause followers to become highly committed to the leader's mission, to make significant personal sacrifices in the interest of the mission, and to perform above and beyond the call of duty. (p. 577)

Research on leadership must progress to the next level, integrating the holistic point of view. This inquiry falls within the scope of leadership development. This research also uses an instrument for the analysis of spiritual value orientation of the leaders, not so much with the purpose to propose a new definitive theoretical model, but rather as a means of providing a structure with which to explore in some detail the dynamic processes within the human perception that establish development of leadership.

## What Is Spirituality?

The Latin term for spirituality, *spiritualitas*, is an abstract noun like the words beauty or honesty and was derived from the noun *spiritus* and the adjective *spiritualis* (Farina, 1989, p. 130). Spirit, which is defined as the abstract power keeping people alive and invigorated, means a person's deep connection with self and awareness of realities in human nature (Fairholm, 1997) and in particular the role of spirit or soul supports the development of the spiritual leadership: 'Spirituality made manifest is the essence of leadership' (Fairholm, 1996, p. 12).

'Spirituality' in general terms can be defined as 'the basic feeling of being connected with one's complete self, others, and the entire universe'. A single

word that best captures the meaning of spirituality and has a crucial role to play in people's lives is 'interconnectedness'. Besides this the term spirituality has experienced changes in its connotation several times throughout history. These changes reflected the political, social, philosophical and religious aspects of specific periods in time, and in the development of humanity (Geaney, 2012). The great Indian philosopher Sri Aurobindo (1919) has defined spirituality thus:

The highest spirituality indeed moves in a free and wide air far above that lower stage of seeking which is governed by religious form and dogma; it does not easily bear their limitations and, even when it admits, it transcends them; it lives in an experience which to the formal religious mind is unintelligible.

Although this definition borrows from the concept of religion, religion is not synonymous with spirituality (Mitroff & Denton, 1999; Garcia-Zamor, 2003). Furthermore Teasdale (1999) defined spirituality as per:

Being spiritual suggests personal commitment to a process of inner development that engages us in our totality ... Spirituality is a way of life that affects and includes every moment of existence. It is at once a contemplative attitude, a disposition to a life of depth, and the search for ultimate meaning, direction, and belonging. The spiritual person is committed to growth as an essential ongoing life goal .... (pp. 17–18)

All these definitions of spirituality attempt to provide a clear conception of being spiritual and in the next section we will explore the relationship between leadership spirituality and spiritual workplace.

## **Leadership, Spirituality and Workplace**

Individuals who feel associated with their organizations are regarded as 'more spiritual'. Such persons not only consider their organizations as 'more profitable' but also aim to invest their 'complete selves' toward the growth of the organization. According to Mitroff and Denton (1999), such individuals deploy their full creativity, emotions and intelligence, and so organizations also view them as more spiritual. The findings suggest that when people experience workplace spirituality they feel more affectively involved to their organizations, experience a sense of loyalty toward them and feel less instrumentally committed (Rego, Cunha & Souto, 2007). There are various researches that have shown the interconnectedness of spiritual inclination

in leadership practices, a sense of vocational calling and social connection (Fry, 2003), which constitutes the inner journey, wholeness and self-reflection (Hoppe, 2005) and allowing inner self to emerge (Senge, Scharmer, Jaworski & Flowers, 2005), etc.

Spirituality leadership is a developing research topic within the comprehensive context of workplace spirituality (Dent, Higgins & Wharff, 2005; Fairholm, 1998; Fry, 2003, 2005, 2008). Spiritual leadership is defined as 'the values, attitudes, and behavior necessary to intrinsically inspire oneself and others in such a way that they have a sense of spiritual wellbeing through the calling and membership' (Fry, 2008, p. 109). Calling is the awareness that my life has meaning and direction and membership involves being understood, valued, appreciated and mattered. How we develop this spirituality awareness in others is to start it in ourselves first and then understand how it is developed, and we will do this work here together at this institute.

A new line of research inquiry is designing frameworks to measure the impact of spirituality on workplace outcomes (Giacalone & Jurkiewicz, 2003a; Jurkiewicz & Giacalone, 2004). This workplace spirituality explores organizational values in the work culture that connect workers to each other, eliciting what Jurkiewicz and Giacalone call 'feelings of completeness and joy' (p. 129). Their values frame include benevolence, generativity, humanism, integrity, justice, mutuality, receptivity, respect, responsibility and trust. In this regard, the topic of workplace spirituality has grabbed a major attention among management practitioners and academicians. Past research has shown that organizations that provide adequate opportunities to their employees for spiritual development are efficient in performance (Konz & Ryan, 1999). If the employees find their workplace more fulfilling and are appreciated for spiritual attributes toward their work, it is likely to boost their morale and confidence, thereby leading to reduced turnover and enhanced job satisfaction and commitment. For example, study conducted on health care professionals proved that spirituality at work provides job satisfaction and reduces employee burnout at individual level (Komala & Ganesh, 2007). Another study examined on sales professionals showed that 'individual spirituality at work is positively related to job satisfaction and job commitment and negatively related to propensity to leave' (Chawla & Guda, 2010). Later on, Wainaina, Iravo, and Waititu (2014) in their research on university academic staff demonstrated workforce spirituality as an important intrinsic determinant of organizational commitment. Further they also reported that a positive relation exists between workplace spirituality

and organizational commitment. Likewise, Milliman, Czaplewski and Ferguson (2003) explored the association between spirituality in the workplace and employee work attitudes and found positive relationship between dimensions of meaningful work, sense of community, alignment of values and organizational commitment, organizational citizenship behavior, job satisfaction, and involvement and intention to quit.

Further studies by Piryaei and Zare (2013) and Pawar (2009) examined the direct effects of three workplace spirituality aspects (meaning in work, community at work and positive organizational purpose) and individual spirituality on three work attitudes – job satisfaction, job involvement and organizational commitment. The findings of these studies showed that workplace spirituality has positive linkage with all the three work attitudes. On the similar lines, study conducted amongst employees from Iran universities reported a high level of correlation between spiritual intelligence and organizational commitment (Kalantarkousheh, Sharghi, Soleimani & Ramezani, 2014). This situation is characterized by the importance of spiritual intent that tends to increase job-related outcomes in the organizations. For example this survey found that 45% of employees agree that their supervisor has a sense of responsibility of the outside community. While discussing spirituality Osteen, Komives, Mainella, and Longerbeam (2005) stated that being in community with each other heightens our responsibility with others. Responsibility is also one of the organizational values in the value frame of Giacalone and Jurkiewicz (2003b).

## Research Methodology

### Sample

The respondents were chosen randomly from the service sector regulated by the government of India. The choice of the service sector was due to the large representation in the Indian corporate world because India became a positive outlier not only in terms of the share of services in value addition but in terms of its share in employment. Survey research by means of a self-administered questionnaire instrument was selected as the most appropriate approach. For this research we developed an instrument that can measure the spirituality-oriented global approach of leaders. This questionnaire consists of four items from the Ethical Leadership Instrument developed by Brown, Trevino and Harrison (2005), three items from the Leadership Practice Inventory by Kouzes and Posner (2003), one item from the Spiritual

Climate Questionnaire by Pandey, Gupta and Arora (2009) and the rest were developed. Twelve items from Allen and Meyer's (1990) commitment scale and four items from Nyhan's productivity scale (2000) were taken to measure organizational commitment and productivity. Approximately 500 employees were asked to participate in this survey and 367 responded to this survey (responding rates = 73.4%). Finally, 321 cases were analyzed; there were 46 missing cases. Most of the respondents were male (81.9%) and the rest were female (18.1%). The reliabilities of the dimensions of the questionnaire were found to be acceptable and Cronbach's alpha of the consolidated scale was .83.

## Findings

All the 15 items consisted the questions to judge the leaders on the basis of spiritual intent in their leadership skills, which are humanism, ethics, benevolence, integrity, responsibility, trust, honesty, etc. All these values are related to the context of workplace spirituality (Fry, 2003; Giacalone & Jurkiewicz, 2003). The assessments of the questionnaires were subjected to exploratory factor analysis using principal component analysis (see Table 1). The outcome was five components providing a Kaiser-Meyer-Olkin (KMO) Test measure of sampling adequacy of .75, which, according to Field (2005), is considered good. According to Leech Barret and Morgan (2005) a KMO  $>.7$  is an indication that there are sufficient items for each factor generated. Five factors emerged having eigenvalues  $>1$ . These five factors jointly explained 71.01% of the total variance of the scale. To provide a meaningful interpretation of the factor loadings, they were rotated using varimax procedure. The first and second factors loaded significantly on four items, third and fifth on two items, and factor four loaded suggestively on three items (see Table 1). Then we strived to find out the percentage of leaders who showed the traits of different dimensions of global leadership and the intercorrelations among these five factors predicted before.

In correlation analysis, the purpose is to assess the degree of familiarity of the linear relationship between the defined variables. The correlation coefficient shows how closely the data fit a linear pattern. Each of the factors had a significant zero-order correlation with the other factor, which shows the association. And finally we had to see the impact of these leadership traits upon commitment and perceived productivity.

**Table 1** Factor analysis

Item #*	Component name	FL**	V%***	EV*
	<i>(1) Empathetic</i>		29.79	4.47
8	Concerned about the public interest	.60		
9	Discusses values with employees	.72		
4	Concerned toward people's personal/professional problems	.82		
6	Conducts life in an ethical manner	.76		
	<i>(2) Integrity</i>		11.95	1.79
7	Defines success not just by results but also by the way they are obtained	.60		
19	Always do what is right for the public	.62		
20	Having sense of responsibility	.84		
17	Sets a high standard of ethical behavior	.82		
	<i>(3) Risk bearing</i>		9.98	1.49
14	Seeks out challenging prospects that test his/her own skills and abilities	.80		
16	Appeals to others to share an exciting future	.81		
	<i>(4) Benevolence and responsibility</i>		8.72	1.30
17a	Makes sure that his/her decisions also benefits the wide community along with the organization	.83		
18	Displays kind heartedness, humbleness and consideration to everyone	.83		
12	Speaks with genuine conviction about the higher meaning and purpose of our work	.46		
	<i>(5) Inventive</i>		6.84	1.02
5	Believes that followers require breaks to re-energize themselves	.82		
6a	Searches outside the formal boundaries of the organization for innovative ways to improve what we do	.86		

Note: \* Eigen Value; \*\* Factor Loadings; \*\*\* Variance.

In order to check the strength of causality, regression analysis was performed for the dependent variables. In the regression model, manager's commitment is predicted from all the five dimensions of global leadership instrument. The chapter concludes with a summary, a balanced assessment of the findings of the research and their contribution. Observation of the item contents of the first factor unfolded the 'empathetic' dimension as empathy has been found to be related to a wide range of prosocial behaviors (Eisenberg & Miller, 1987). The superior is concerned about their problems and shows cooperative approach. Empathetic strategy of the leader responded to subordinates' needs to be encouraged, protected and concerned for the employees. The second factor having four items explained leader's 'attitude towards

integrity'. Leaders having such an attitude cultivate moral teachings and values and share them with subordinates, teach ethical values to them and display always an ethical and moral conduct. The third factor described the approach toward 'risk bearing', the fourth factor unfolded as 'benevolence and responsibility' and the last one explained 'inventive'. Mean and standard deviations of all the factors used in this study were computed to examine the distribution of scores within each set of variables. Means were rank ordered to underline their order of endorsement by the executives and managers. It should be noted that responses were made on a Likert scale. Higher score on each dimension denoted greater affirmation with the dimension description. Table 1 reveals that integrity ranked first in the order of endorsement shown by the managers. Mean and SD of this dimension clearly indicate that most of the managers considered their supervisor's approach based upon integrity. Empathetic and inventive approach ranked second and third, respectively. The least endorsed approaches included benevolent and responsible that holds the fourth rank with risk-bearing attitude holding the fourth rank. Thus it can be concluded on the basis of Table 2 that global leadership construct indicating sense of integrity, empathy and inventive approaches was more frequently and positively endorsed by the senior managers as compared to the approaches that consider benevolence and responsibility and risk bearing.

The instrument used for this study was a closed-ended questionnaire intended for this study, which consisted of some questions related to leadership (independent variable) and the dependent variables of organizational commitment and perceived productivity. In this part of the chapter we will discuss the results and discoveries by analyzing the data. Surprisingly 26% of managers completely believed that their supervisors do not conduct their life ethically. On a scale on 4 to 1, only 22% of managers gave 4 rating to their leaders that they are concerned about customers and public interest, 59% gave rating 3 and the rest 19% denied the fact that their supervisors are concerned. Also, 36% of

**Table 2** Factors correlations ( $N = 321$ )

	Empathy	Integrity	Risk bearing	Benevolence and responsibility	Inventive
1. Empathetic		.42**	.28**	.32**	.32**
2. Integrity			.42**	.34**	.34**
3. Risk bearing				.34**	.33**
4. Benevolence and responsibility					.29**
5. Inventive					

Note: \*\*  $P \leq 0.01$  the data is significant at the 0.01 level.

managers denied that their supervisors have a sense of responsibility toward outside community and 67% of managers accepted that their leaders set high standards for ethical behavior. Total scores of global leadership construct were correlated with organizational commitment, and productivity, which came out as significantly correlated with each other. The empathetic leadership had good association with the organizational commitment (see Table 3) and benevolent and responsible factor had good associations with productivity.

The stepwise multiple regression table gives  $R$ ,  $R^2$ , beta weights, standardized beta, the standard error of estimate,  $F$  change and corresponding significance level. In the regression model, manager's organizational commitment is predicted from all the five factors of global leadership construct. This output shows that the construct explains 12% of the variance in organizational commitment for this sample. Since the  $p$  value is less than .05 (refer Table 4) it shows that at least one independent variable is a significant predictor of the dependent. Results of Table 4 conclude that other than factor 2(integrity) and factor 4 (benevolence and responsibility) all the three dimensions are insignificant predictors of commitment of managers.

The next output generated for the manager's perceived productivity (see Table 5) shows that approaches associated with factor 2(integrity) and

**Table 3** Mean scores ( $N = 321$ )

Measures	Mean	SD	Rank	Cronbach's alpha ( $\alpha$ )
Global leadership				
Empathetic	11.33	2.59	2	
Integrity	11.51	2.64	1	
Risk bearing	5.66	1.66	5	
Benevolence and responsibility	5.86	1.64	4	.82
Inventive	8.93	2.04	3	
Organizational commitment	12.34	2.52		.85
Perceived productivity	36.63	5.81		.76

**Table 4** Correlations ( $N = 321$ )

Dimensions of value-based responsible leadership	Affective commitment	Productivity
1. Empathetic	.19**	.24**
2. Integrity	.24**	.35**
3. Risk bearing	.17**	.24**
4. Benevolence and responsibility	.32**	.31**
5. Inventive	.31**	.29**
Mean	36.63	12.34
Standard deviation	5.81	2.52

\*\* Correlation is significant at the .01 level (two-tailed)

**Table 5** Stepwise multiple regression table predicting affective commitment

	<i>R</i>	<i>R</i> <sup>2</sup>	$\beta$	SE	<i>B</i>	<i>t</i>	Significance
1. Benevolence and responsibility	.29	.08	.85	.15	.30	5.57	.000
2. Benevolence and responsibility	.33	.11	.70	.16	.25	4.39	.000
Integrity			.34	.12	.16	2.82	.005

**Table 6** Stepwise multiple regression table predicting productivity

	<i>R</i>	<i>R</i> <sup>2</sup>	$\beta$	SE	<i>B</i>	<i>t</i>	Significance
1. Integrity	.34	.12	.32	.05	.35	6.55	.000
2. Integrity	.38	.15	.26	.05	.29	5.20	.000
Inventive			.22	.06	.18	3.29	.001

5 (inventive) explain 15% of the variance in manager's productivity for this sample. This shows that other than integrity and inventive dimensions of construct, all three are insignificant predictors of productivity of managers (Table 6).

The result indicated significant correlations among all the five factors of the global leadership construct, organizational commitment and productivity. Further the analysis of data shows that the second and fourth factors, including integrity, responsibility and benevolence of leader, are the most prolific for the organizational commitment of the surveyed managers; moreover, the second and fifth factors, which are related to responsibility, benevolence the inventive attitude of the supervisor, were found to be significant for perceived productivity. The rest of the three factors were positive and significantly related to the manager's commitment and perceived productivity but not impacted significantly upon the dependent variables. For the commitment (dependent variable) innovative leaders and integrity are the only independent variables found impacting significantly.

## Discussion and Implication

These results provide a different picture of the kind of leadership that can prove vital for the organizations in the Indian context. The findings suggest that the items under the integrity factor, related to honesty, ethics and accountability in the behavior of the supervisor or leader, create impact over the organizational commitment of managers (Fry, 2005; Ryan & Deci, 2000). In the famous work of Fry (2003) upon spiritual leadership

framework, he has included integrity under the altruistic love quality of spiritual leadership. Moreover Jurkiewicz and Giacalone's (2004) value list also holds integrity as the main value and previously Allen and Cherrey (2000) also observed that relationships built on integrity hold the organization together. Reave (2005) likewise argued that values that have long been considered spiritual ideals, such as integrity, honesty and humility, have a major effect on leadership success. This list of behavior can be of immense help for practitioners who often identify the appropriate behavior that can enhance commitment in employees. Further the inventive approach of the leader is the next factor that has impacted the dependent variable in a positive manner. The inventive factor of the construct has an item related to work break to re-energize and innovation in daily work for subordinates. Innovative leadership is essentially the employment of innovative thinking and also the leadership that supports it is the key to finding what's new, what's advanced and what's next. Businesses, establishments and communities square measure feeling the boundaries of their regular processes. The added burden of economic pain and widespread uncertainty has made leaders everywhere looking for new ways forward (Horth & Buchner, 2014). So the development of the training modules around these behavior patterns will surely be helpful for the trainers and managers in organizations in relation to productivity and commitment enhancement.

## Conclusion

We began this chapter by identifying the necessity for a new paradigm of leadership, that is, global leadership, engrossed in the spiritual values. We believed this new way of envisioning leadership would serve as a remedy to the crisis of leadership we face in the world. The work contributes to the contemporary debate on the leadership crisis and investigated the existence of global leadership traits in the Indian service sector with an emphasis on whether virtues, empathy and out-of-the-box-thinking-based management are affecting the job-related outcomes. Further it has tried to expand the periphery of leadership phenomena and to touch the horizons of the leadership, which focuses from 'I' to 'we' meaning a universal approach where 'all are one' in a spiritual manner. The study identifies important leaders' behavior based on spiritual values that may impact subordinates' commitment and productivity. Integrity, innovation, benevolence and responsibility were found to be the most impactful factors for the output according to this survey. Values imbibed in global representation of leadership would allow

newer conceptualizations of leadership based on this schema to look for and incorporate a similar phenomenon in leadership domain. The study examined perceived behaviors and organizational/individual performances at only one point in time and used a self-report method – a survey of participants, which makes the possibility of a percept-percept bias. Further all the variables of this research should be explored by the qualitative research to find out their new dimensions as well as by strategies of inquiry such as narratives, phenomenology, ethnographies, grounded theory studies or case studies.

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