

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 GENERAL OVERVIEW ABOUT LEADER AND LEADERSHIP**

The study of leadership has occurred since the beginning of civilization. From Pharaohs through Napoleon to Mother Theresa, scholars have attempted to identify the formula for successful leadership (Bass, 1990). He noted that there may be as many definitions as there are individuals who have studied the concept.

Leadership, a sophisticated concept, has many different definitions. Stogdill (1948 in Barge & Schluether, 1991) defined leadership as the process of influencing the actions and activities of an organized group in its efforts toward goal setting and goal attainment. Other definition of leadership indicates that recognition of worker's contributions and talents by the leader within an organization and the need for the personal power within the worker defines a true leader's ability (Cumbey & Alexander, 1998).

Here are some representative definitions presented over the past 50 years (Yukl, 2006):

- Leadership is the behavior of and individual ... directing the activities of a group toward a shared goal (Hemphill & Coons, 1957:7)
- Leadership is the influential increment over and above mechanical compliance with the routine directives of the organization (Katz & Kahn, 1978:528)
- Leadership is realized in the process whereby one or more individuals succeed in attempting to frame and define the reality of others (Smirch & Morgan, 1982:258)
- Leadership is the process of influencing the activities of an organized group toward goal achievement (Rauch & Behling, 1984:46)
- Leadership is about articulating visions, embodying values and creating the environment within which things can be accomplished (Richards & Engle, 1986:206)

- Leadership is a process of giving purpose (meaningful direction) to collective effort, and causing willing effort to be expended to achieve purpose (Jacobs & Jacques, 1990:281)
- Leadership is the ability to step outside the culture ... to start evolutionary change processes that are more adaptive (Schein, 1992:2)
- Leadership is the process of making sense of what people are doing together so that people will understand and be committed (Drath & Palus, 1994:4)
- Leadership is the ability of an individual to influence, motivate and enable others to contribute toward the effectiveness and success of the organization ... (House et al., 1999:184)

Rost (1991) defines leadership as a multidirectional influence relationship between a leader and followers with the mutual purpose of accomplishing real change. Leaders and followers influence each other as they interact in non coercive ways to decide what changes they want to make. Rost proposed that leading was not necessary for a manager to be effective in producing and selling goods and services. However, when authority is not a sufficient basis for downward influence over subordinates, a leadership relationship seems to be the necessary factor for influencing people over whom the leader has no authority. In organization where change is unavoidable, which happens in many organizations today, a leader relationship with subordinates also seems necessary.

Nash (1929 in Archbold, 2004) suggested that leadership implies influencing change in the conduct of people. Historical analysis of changes of leadership over significant period has shown that leadership has a profound influence on an organization. In a review of experiments in the U.S on the productivity of workers between 1971 and 1981, Katzell and Guzzo (1983 in Archbold, 2004) concluded that supervisory methods seemed particularly effective in increasing output. What leaders really manage in organizations are the employees' interpretations or understanding of what goes on in the organizations. The leaders give a strong impact on organizational outcomes.

Bass (1985) argues that the accepted behavior of a good leader has been to have the ability to motivate others into giving the extra effort to accomplish the task, make others feel satisfaction in their jobs, and be perceived as being effective in the role as leader. The leader must have the ability to instill a driving force by influencing the follower to achieve success even in times of insufficient resources.

The person expected to perform the specialized leadership role is designated as the leader. Drucker (1996) stated it most simply when he noted that an individual is only a leader if he or she has followers. A leader is highly visible, sets examples, and takes responsibility. Other members are called followers even though some of them may assist the primary leader in carrying out leadership functions. The distinction between leader and follower roles does not mean that a person cannot perform both roles at the same time. In example, a manager who is the leader of one department is also a follower of higher level managers in the organization.

Covey (1990) looks at leadership and its interaction as creating a win-win solution. He believes if you first seek to understand than seek to be understood, communication will increase. The resulting clarity of communication should result in a win-win solution. Covey does not believe there has to be a loser in order to have a winner. The concept here is that both parties should emerge better off than they were before the agreement.

### **2.1.1 Effectiveness**

Bass (1990) argued the attitude of followers toward the leader is another common indicator of effectiveness. The follower's respect to the leader, however, is based on how well the leader could satisfy their needs and expectation. Some indicator of follower behaviors such as absenteeism, employee turnover, and complaints to the higher management, request for transfer position, and others may explain dissatisfaction of employee toward the leader. Like definition of leadership, the criteria of effectiveness are different one to another, as reflected in the researcher's conception about leadership. The decision to leave the company can be temporary, as in the case of absenteeism, or permanent, as in the case of

turnover. In both situations, the consequences for both employee and organization can be significant.

Moreover, the question of why employee absenteeism and turnover deserve attention can be answered in several ways. Perhaps the most direct answer is about the consideration of the costs and consequence associated with such behavior. Similar costs are associated with turnover. Turnover costs the organization in many ways, including increased selection and recruitment costs, increase training and development costs, increase organizational disruption, and possible demoralization of those who remain. For the leavers, there is a loss of seniority, possible loss of friendship and possible disruption for their families if relocation is necessary for new jobs. So both the individual and organization can lose in such situations.

Nonaka (1991 in Illies & Palmon, 2008) argued that decreased turnover leads to a more stable environment and increases the likelihood of employees being able to access information from one another. On the other hand, some positive outcomes are also possible within small percentage. With respect to absenteeism, temporary withdrawal can allow employees some relief from a highly stressful or boring job. The employee may work better after return from a short relief.

In the Multifactor Leadership Questionnaire, Bass (1985) has identified the effectiveness of leader in meeting the subordinates related needs, measure the effectiveness in representing subordinates to a higher authority, identify the subordinate effectiveness in meeting organizational requirements and leads a group that is effective.

### **2.1.2 Extra Effort**

In term of extra effort, Bass (1990) argued the leader should be able to create conditions in which his staff and coworkers show extra effort and has also been able to persuade his coworkers to try to achieve more and increase their tendency to more effort and work. Bass (1985) originally posited extra effort as a manifestation of employee motivation. He claimed that employee's extra effort show how highly a leader motivated them to perform beyond expectations. Thus,

it can be concluded that the emphasized satisfying on self actualization needs reflects the type of need underlying the employee's motivation, whereas extra effort reflects the level of their motivation. Extra effort is one of the most widely confirm correlates of transformational leadership.

In the Multifactor Leadership Questionnaire, Bass (1985) has identified the leader that push subordinate to do more than they expected to do, measure the leader that heighten the desire of subordinates to succeed and also increase the willingness to try harder.

## 2.2 BASS THEORY ON LEADERSHIP

The conceptual construct of the leadership style was founded by Bernard M. Bass (1985). A leader should be creative in order to improve performance and productivity at the company. They must understand how to mobilize the employee energy forces toward the specific goals. Bass (1990) stated survey of job satisfaction from the 1920s onward illustrated the importance of leadership. They uniformly reported that employee's favorable attitudes toward their supervisors contributed the employee's satisfaction. In turn, employee's favorable attitudes toward their supervisors were usually found to be related to the productivity of work group.

As Bass (1990:117) indicated:

“It is not enough for a leader to know how to get what followers want, or to tell them how to get what they want. The leader must be able to know what followers want, when they want it and what prevents them from getting what they want... “

The foundation of Bass' theorem can be evaluated in terms of multi-dimensional variables used in characterizing the traits that are accepted as good leadership qualities. The variables are transformational and transactional leadership styles. Laissez-faire leadership is treated separately from transactional leadership because it is determined to be an absence of leadership.

Bass (1985) believed transformational leadership coexists, and it is an enhanced version of transactional leadership. Bass theory itself is an expansion of Burn's (1978) theory distinguishing the characteristics of a transformational leader versus those a transactional leader. Burns viewed the relationship of transformational and transactional leadership in the context of a dipolar

continuum. Transformational and transactional leadership characteristics were thought to be mutually exclusive in and at opposite ends of the continuum. Burns felt that the leader was characterized into either a transformational set of characteristic / traits or a transactional set of characteristic / traits dependent on the dominant behavioral tendencies that are exhibited.

Bass (1985) believed the leaders could be both transformational and transactional at the same time. Transformational and transactional leadership styles were not mutually exclusive, but instead were compliment of each other and transformational leadership style was an enhancement of transactional leadership. The effective leader set contained traits and characteristics of both the transformational and transactional subsets.

There have been empirical studies performed on Bass model supporting the relationship and positive correlation of transformation and transactional leadership (Yammarino & Dubinsky, 1994 in Den Hartog et.al, 1997). There are also divergent views on the boundaries that effect transformational leadership. Bass (1985) view the model as unbounded and applicable to any work environment. More balanced in respect to transformational and transactional leadership, Franklin D. Roosevelt could play the consummate transformational leader with his fireside chats, inspiring addresses, remaking of the American landscape, and encouragement of intellectual solutions to national problems. But he could also play the consummate transactional politician in the give and take of the balance of powers between executive, legislature and court.

Bass (1985) argued the transformational models express leader behavior in terms of influencing subordinates' motives, values and beliefs. Transformational leaders enhance employee self-confidence by expressing high expectations for employees, by showing confidence in employees, and by treating each employee differently in terms of individual needs and capabilities. On the other hand, transactional leader provides followers with resources and rewards in exchange for motivation, productivity, and effective task accomplishment (Nahavandi, 2000).

### **2.2.1 Transactional Leadership**

Bass (1985) argued the transactional leadership has been viewed in relational terms such as task-oriented leadership and consideration-initiation. Transactional leadership is simply an exchange for services rendered. There is a social exchange or negotiated transaction (Graen, 1976 in Archbold, 2004).

In this case, the leader engages in a contract with the follower whether written, verbal or understood. The benefit to both is greater than the cost of fulfilling the understood contract for the relationship to be maintained (Homans, 1961 in Bass, 1985). The exchange is considered to be fair if the leader gives the follower items that are valued by the follower. The exchange is considered to be unjust if the leader is self serving and there is no equitable distribution of the benefits (Hollander, 1978 in Bass, 1985). According to Cheng & Shea (2000 in White & Lean, 2008), a leader's fairness in giving rewards and punishment has a positive impact on organizational commitment, team effectiveness and team and organizational performance.

There is a psychological contract between the leader and the follower (Hollander, 1987 in Archbold, 2004). Personal exchange is the establishment of mutual trust between the parties. The trust factor is established over time and is essential to the leader's credibility in fulfilling with the agreed upon reward once the task is completed within the preset parameters. The leader promises to give some form of compensation in exchange for the performance of some task or deed in a prescribed manner with an agreed upon outcome. In the event that the follower meets the criteria as set forth by the leader, the transaction is complete. In the event the task or deed is not completed as agreed upon, then the leader can take appropriate corrective action to ensure performance standards.

Bass (1985) describes transactional leadership in terms of three dimensions: contingent reinforcement, active management by exception, and passive management by exception.

#### **2.2.1.1 Contingent Reward**

The first dimension is contingent reward, sometimes called contingent reinforcement (Bass, 1985). Transactional leadership is based on the premise of a

leader-follower relationship. The leader provides contingent reinforcement in either a positive or negative signals to the follower. The leader offers a pre-determined reward or punishment based on the action and level of success or completion of the tasks to be performed. The positive reinforcement results from achieving the desired result. While the negative reinforcement signals the need to stop the deficiency and modify the employee's behavior. Sometimes the behavior modification can be achieved through clarification of the task.

Commitment to the leader/organization and commitment to monetary or other contingent rewards both have positive influences on the employee (Hartog, Muijen & Koopman, 1997; Schwarts, 1999 in Archbold, 2004). The employee demonstration of motivation and productivity can be assessed to leadership or some expectation of reward. Perhaps the expectation of reward can be initiated from the subordinate level. Even with the desire to have a transformational environment, there is still resistance to get away from the reward environment. Many employees still look for the bonus or perk that goes with accomplishing the good job. In the early studies of motivating an employee to increase productivity it was thought that contingent reward and process was the key (Taylor, 1911 in Bass, 1985). In the reality, the leader is still trying to find the best method in which they can improve the employee performance.

Bass (1985) utilizing a scale of ten items from the Multifactor Leadership Questionnaire (MLQ) measure contingent reward. Contingent reward can be in various forms monetary, praise, recommendations, promotions, or added responsibility. The key to contingent reward dimension is a clear directive of the task to be performed and the desired result. For increased success using this method, there should also be a clear understanding of the consequences whether positive or negative for compliance or non compliance of the agreed upon task. In order for the transaction to be useful the exchange has to be valuable to both parties.

One of the main benefits of contingent reward system is the clarification of the goals and expectations. There is an exchange of promises and the expected resources that will be available to assist in the accomplishment of the task. The benefit to the leader is the accomplishment of the task and an agreed upon level of



performance tied to the completion. Moreover, the benefit to the follower is an agreed upon reward and removal of ambiguity in the expectation of their function. The problem with creation of a contingent reward system is implementation of a valid measurement system to measure the internal performance of employees within the company. Most accepted measurement of company performance is external based. Such item as financial performance analysis is used to determine company value.

#### **2.2.1.2 Active Management by Exception**

The second dimension is active management by exception. The active context is when the leader monitors the follower's performance for negative compliance to the task. In the event the leader detects non compliance, corrective action is taken against the follower (Bass, 1985).

The leader in this instance focuses their efforts on tracking mistakes and failures. The leader adheres to the established rules and regulations to avoid mistakes. Unfortunately, this type of leadership avoids the creative aspects. It stifles progression and preventive failures. The group response to the active leader by exception is hesitation to take risks. This is a reactive stance of action and does not prepare the organization to take a proactive approach to growth. So it results in lack of growth, creativity, and evolution of the company. Sometime the paradigm to going by the book is not always true. The leader also needs a challenge to created a new idea and make company improvement.

#### **2.2.1.3 Passive Management by Exception**

The third dimension of transactional leadership is passive management by exception where the leader waits for something to go wrong and takes no action prior to the deficiency (Bass & Avolio, 1995).

This type leader differs from the active manager by exception in fact that this leader does not seek out deviations. In the passive context, the leader only initiates action when there is a deviation from the standard. They take action when something goes wrong with the process and getting involved after the fact. This leader waits for the process to fail before initiating any form of involvement in the

leadership process. So they remain idle until they are forced to act by either serious failures or requests for action is placed upon them. Passive management by exception is thought by some to be the same as laissez-faire leadership.

### **2.2.2 Transformational Leadership**

Transformational leadership is a leadership paradigm first proposed by Burns (1978). Burns's research focused on the interrelationship between leaders and followers when leaders provide direction assess follower reaction and adjust their leadership approach accordingly. In the process of analyzing this interrelationship as it pertained to political leaders, Burns formulated the transformational leadership concept. He observed that transformational leadership existed when persons interacted in ways in which both leaders and followers were raised to higher levels of motivation and morality.

Theory of transformational leadership have similarly benefitted from motivational theory. Burns conceived leaders to be either transformational or transactional, but the paradigm was modified by Bass (1985) who proposed that transformational leadership augments the effects of transactional leadership on the efforts, satisfaction and effectiveness of subordinates. Many of the great transformational leaders, including Abraham Lincoln, Franklin Roosevelt, and John F. Kennedy did not shy away from being transactional as well as transformational. They were able to move the nation as well as play petty politics.

Transformational leadership is closer to the prototype of leadership that people have in mind when they describe their ideal leader and is more likely to provide a role model with which subordinates want to identify (Bass, 1988 in Archbold, 2004). Factor analytic studies by Bass (1985) have suggested that transformational leadership can be conceptually organized along four correlated dimensions: charismatic leadership, inspirational leadership, intellectual stimulation and individualized consideration. The leadership behavior motivates and inspires followers to do more than originally expected (Bass, 1990). Both noted that transformational leadership occurs when leaders:

- Stimulate interest among colleagues and followers to view their work from new perspectives

- Generate awareness of the mission or vision of the team and organization
- Develop colleagues and followers to higher levels of ability and potential
- Motivate colleagues and followers to look beyond their own interests toward those that will benefit the group

Transformational leaders ask followers to transcend their own interests for the good of the organization, to consider their long term development needs rather than needs of the moment, and to become more aware of the importance of designated outcomes. In so doing followers are converted transformed into leaders (Bass, 1985). The potential outcomes of transformational leadership, as provided by Bass can include quantum leaps in individual and group performance, revolutionary, higher order changes in group attitudes and values, dramatic improvement in the rate of change in a group's speed and accuracy, and the elevation of follower's concerns to that of recognition, achievement and self actualization. Transformational leaders attempt and succeed in raising colleagues, subordinates, followers, clients, or constituencies to a greater awareness about the issues of consequence.

#### **2.2.2.1 Charismatic Leadership**

The first dimension is the charismatic qualities that stimulated the subordinate employee. Charismatic leaders have extraordinary influence over their followers. It's excited and inspires their subordinates. The charismatic leader instills vision, a sense of mission, pride, trust and warrants respect of their subordinate (Bass, 1985). Many scholars have argued that a charismatic leader inspires followers and generates some excitement among them so that they perform beyond expectation (Bass, 1985 in Choi, 2006). The leader displays conviction by demonstrating the ability to act and no shift responsibility. These types of leaders earn the trust of their followers, instill pride in their followers, and portray a confident environment in which to share their vision.

Conger and Kanungo (1988 in Bass 1990) listed as behaviors of the charismatic leader being radical, unconventional, risk taking, visionary, entrepreneurial and exemplary. There're elements of charismatic seem essential

such as the pattern of abilities, interests, and personal traits that is common to most charismatic leader. The second is the strong desire by followers to identify the leader. Charismatic leaders have strong referent power but often have radical crises solution. One can see the subordinates of a single charismatic supervisor divided in the extent to which they love, fear, or hate him or her. The very behaviors and qualities that transport supporters into extremes of love, veneration, and admiration of the charismatic, may send opponents into extremes of hatred, animosity and detestation (Bass, 1985).

Smith (1982 in Bass, 1985) discriminated between 60 charismatic and non-charismatic business leaders. Charismatic leaders were described by their subordinates as significantly more dynamic. They also said they worked harder (longer work weeks) under charismatic leaders and were more confident and trusting. Hollander (1978 in Bass, 1985) believed that charismatic leadership is less likely to emerge in any continuing complex organization because of contact of superior and subordinate preventing the maintenance of the magical properties of charisma.

Later, after charisma received increased scrutiny and criticism as potentially incompatible with transformational ideals (Barbuto, 2005); the term charisma in the full range leadership model was eventually changed to idealized influence. Idealized influence is charismatic vision and behavior that inspires others to follow. For the training and some research purposes, the term idealized influence was substituted for the charismatic factor (Bass & Avolio, 1997). Idealized influence or attributed charisma is the emotional component of leaders' behavior that moves followers from their self-interest to a major purpose. Idealized influence or behavioral charisma is the leader's sense of mission that drives the ethics and moral of the followers.

#### **2.2.2.2 Inspirational Motivation**

The second dimension of transformational leadership is inspiration. This factor focuses on the leader in the capacity of role model. The distinction between charisma and inspiration is that charisma requires identification with the leader and inspiration does not (Den Hartog, Muijen & Koopman, 1997). According to

Downton (1973 in Bass, 1990) the difference is in the way followers accept and comply with the leader's initiatives. If the dynamics of the identification of the followers are drawn to the goals and purposes of the leader but not to the leader, as such, then the leader is inspirational but not charismatic. Followers believe they share a social philosophy with the inspirational leader. They feel the inspiration generated from the leader but they do not want to be a mirror image of the person. Instead the follower is inspired to promote the ideas and vision conveyed to them by this leader. The leader provides enthusiasm and knowledge to the follower as to the meaning of the task.

The inspirational leader has to have insight into what will be challenging to a follower and for what reason. They perceived by others to display such behaviors as setting challenging objectives as standards, using symbols and images cleverly to get ideas across, providing meaning for proposed actions; pointing out reasons why followers will succeed remaining calm in crises, appealing to feelings, and articulating how to achieve that future. Mc Clelland (1975 in Bass, 1990) argued the inspirational leader expresses goals that these followers want to attain but the leaders have to express vivid goals that strengthen and uplift the followers.

According to Yukl (1982 in Bass, 1990) inspirational behavior stimulates enthusiasm among subordinates for the work of the group and says things to build their confidence in their ability to successfully perform assignments and attain group objectives.

### **2.2.2.3 Individual Consideration**

The third dimension of transformational leadership is individual consideration. The leader tended to be friendly, informal and close and treated subordinates as equals although they had more expertise. There is also the formation of coexistent goals by linking the individual and corporate goals (Bass, 1985).

Individualized consideration involves responding to the specific, unique needs of followers to ensure they are included in the transformation process of the organization (Simic, 1998). People are treated individually and differently on the

basis of their talents and knowledge (Shin & Zhou, 2003) and with the intention of allowing them to reach higher levels of achievement than might otherwise have been achieved (Chekwa, 2001 & Stone, Russell & Patterson, 2003).

Miller (1973 in Bass, 1985) found individual consideration can take many forms. Expression of appreciation for a job well done will be most important. This might take expression, for example, through expressing words of thanks or praise, fair workload distributions, and individualized career counseling, mentoring and professional development activities. The leader can assign special projects that will promote subordinate self-confidence, utilize the subordinate's special talents and provide opportunities for learning. But superiors can also point out weaknesses of subordinate constructively.

Both consideration and individualization are features in leader-member exchange, a process in which a supervisor consults with each of his subordinates individually. Each subordinate is asked to discuss his concerns and expectations about his own job, his superior's job and their working relationship. Then the superior shares some of his expectations about his own job, his subordinate's job and their relationship. Reciprocal understanding is improved between superior and subordinate (Graen, 1982 in Archbold, 2004).

The leader sets examples to be followed and assigns tasks on an individual basis to subordinates to help to significantly alter their abilities and motivations as well as to further immediate organizational needs. They need to be considerate, empathic, concerned, caring, and supportive. Such consideration will reduce the role ambiguity of subordinates, particularly if the leaders are experts (Podsakoff, Todor and Schuler, 1983 in Bass 1985). Bass concluded that personal influence and the one to one superior-subordinate relationship were of prime importance to the development leaders. A program such as mentoring by the leader will increase confidence and fulfills some of the followers "need to know."

Moreover, practicing delegation to provide challenging work and increasing subordinate responsibilities seem particularly important. Peters (1980 in Bass, 1985) argued that successful CEO's were encouraged such delegation and autonomy "far down the line." Bradley (1951, in Bartram & Casimir, 2006)

pointed out that there is no better way to develop leadership than to give an individual a job involving responsibility and let him work it out.

#### **2.2.2.4 Intellectual Stimulation**

The fourth dimension of transformational leadership is intellectual stimulation. The leader provides tasks that are intended to promote creative thinking and creates an environment to funnel the flow of new ideas (Bass, 1985; Bass, 1990). The status quo is not accepted, and new ways of doing things are encouraged.

This type of thinking arouses the awareness to the organizational problem. Intellectually stimulating leaders see themselves as part of an interactive creative process (Brown, 1987 in Bass, 1990). Not bound by current solutions, they create images of other possibilities. Orientation are shifted, awareness is increased of the tensions between visions and realities, and experiments are encouraged (Fritz, 1986 in Bass, 1990). Although intellectual stimulation is inspiring and is often associated with charismatic leadership, it involves important differences. Intellectual stimulation contributes to the independence and autonomy of subordinates.

Intellectual stimulation involves arousing and changing followers' awareness of problems and their capacity to solve those problems (Bono & Judge, 2004). Transformational leaders question assumptions and beliefs and encourage followers to be innovative and creative, approaching old problems in new ways (Barbuto, 2005). They empower followers by persuading them to propose new and controversial ideas without fear of punishment or ridicule (Stone, Russell & Patterson, 2003). They impose their own ideas judiciously and certainly not at any cost (Sivic, 1998).

Quinn and Hall (1983 in Bass, 1985) conceived that the leaders provide intellectual stimulation in one of four ways: rational, existential, empirical and ideological. Rationally oriented leaders emphasize ability, independence and hard work. They try to convince colleagues to use logic and reason to deal with the group's or organization's problem. Existentially oriented leaders try to move other toward a creative synthesis by first generating various possible solutions in

informal interactions with others and their common problems. Empirically oriented leaders promote attention to externally generated data and the search for one best answer from a great deal of information. Idealist encourages speedy decisions; they foster the use of internally generated intuition and need only to gather a minimum amount of data to reach a conclusion.

Kolb (1982 in Bass, 1985) similarly sees leadership in complex organization as the ability to manage the problem solving process in such a way that important problems are identified and solutions of high quality are found and carried out with the full commitment of organization members.

### **2.2.3 Laissez-faire**

Laissez-faire leaders gave group members complete freedom of action, provided them with materials, refrained from participating except to answer questions were asked, and did not make evaluative remarks (Lewin, Lippitt & White, 1939 in Bass, 1990). This behavior was in contrast to that of autocratic leaders, who displayed a much greater frequency of order giving, disrupting commands, praise and approval, and non constructive criticism. It also contrasted with the behavior of democratic leaders, who gave suggestions and stimulated subordinates to guide themselves.

Under laissez-faire conditions, the groups were less organized, less efficient, and less satisfying to members than under democratic conditions. The work was of poorer quality and less work was done, and there was more play, frustration, disorganization, discouragement and aggression under laissez-faire than under democratic leadership.

The investigators (Lippitt & White, 1943; White & Lippitt, 1960 in Bass, 1990) concluded that laissez-faire leadership resulted in less concentration on work and a poorer quality of work than did democratic and autocratic leadership. Subsequent research suggested that the satisfaction of followers will be lower under laissez-faire leadership than under autocratic leadership. Most often laissez faire leadership has been consistently found to be the least satisfying and effective management style.



Bradford and Lippitt (1945 in Bass, 1990) saw laissez-faire leadership as being descriptive of leaders who avoid attempting to influence their subordinates and who shirk their supervisory duties. Such leaders have no confidence in their ability to supervise. They bury themselves in paperwork, stay away from subordinates. They may condone “license”. They leave too much responsibility with subordinates, set no clear goals and do not help their group to make decisions. They tend to let things drift.

Moreover, Bass (1990), describe laissez-faire as the leadership behavior that emphasizes minimal supervisor-subordinate interaction, avoidance of responsibility and action, and minimal attempt to motivate followers or to satisfy their needs. Boss (1978 in Bass, 1990) studied seven top level administrative staffs’ from selected public agencies who engaged in a confrontation team building program for six days. The only group that showed growth, according to subjective pre post measures was the group in which the chief executive officer (CEO) was present. The other six groups, in which no CEO was present, either retrogressed or did not change. This finding was consistent with the failures reported in organizational development efforts elsewhere, which were attributable to the lack of support from the CEO or the inability of the CEO to understand the objectives and processes of organizational development.

In the same way, Pelz (1956 in Bass, 1985) reported that laissez-faire pattern of leadership was negatively related to productivity in a research organization. Baumgatel (1957 in Bass, 1985) studied directive, laissez-faire and participative patterns of leadership behavior. Group members under laissez-faire leadership reported more isolation from the leader and less participation in decision making than did those under directive leadership. The results suggested that laissez-faire leadership contributed to low cohesiveness of the group.

However, laissez-faire leadership should not be confused with democratic, relation oriented, participative, or considerate leadership behavior. Nor should it be confused with delegation or management by exception. Delegation implies the leader’s active direction of a subordinate to take responsibility for some role or task. The active leader remains concerned and will follow up to see if the role has been enacted or the task has been successfully completed. The leader who

practices management by exception allows the subordinated and the leader agreed on until problems arise or standards are not met, at which time the leader intervenes to make corrections. More active leaders monitor their subordinates' performance, searching for discrepancies from accepts standards, more passive leaders wait for the discrepancies to be called to their attention (Hater & Bass, 1988). The laissez-faire leader does not search for deviations from standards or intervene when they are found, as does a leader who practices management by exception. The laissez-faire leader does not engage in extended discussions with subordinates to achieve a consensual decision, as does the participative leader.

The expected negative correlations of laissez-faire leadership with the effectiveness of outcomes and subordinated' satisfaction with the leadership generalized across different kinds of leaders, different kind of situations, and for outcomes with both soft and hard data. Comparable negative correlations were found between laissez-faire leadership and superior's appraisals of the performance of business managers (Hater & Bass, 1988 in Bass, 1990) and naval officers (Yammarino & Bass, 1989 in Bass, 1990) and with financial outcomes of simulated businesses (Avolio, Waldman & Einstein, 1988 in Bass, 1990).

### **2.3 THE RESEARCH INSTRUMENT**

The Multifactor Leadership Questionnaire (MLQ) is a tool used to measure leadership behavior and outcomes. The independent variables components are transformational and transactional leadership. The MLQ was initially developed by Bernard M. Bass (1985) of the Center for Leadership Studies at Binghamton University. There have been several revisions made to the MLQ since 1985 and the revision to the questionnaire was developed by Bass & Avolio (1990).

The Multifactor Leadership Questionnaire (MLQ) Form-5X is the most recent and common version to measure the full range of leadership styles and behaviors. In the last view years, MLQ-5X has been used in nearly 200 research studies, theses and doctoral dissertations in the world (Bass & Avolio, 1995). The MLQ-Form 5X includes nine factors. These nine factors are defined within three categories; transformational leadership, transactional leadership and laissez-faire.

The factors with these categories include five within the transformational leadership category, three within transactional, and the non-leadership factor representing the laissez faire category (Bass & Avolio, 1995).

The current version of MLQ Form-5X has been revised to include some of concerns, including testing the variable in a more varied sample subjects. While original test included all male samples, later test included heterogeneous samples. The MLQ had been successful in obtaining data relating to determining transformational and transactional leadership perception (Bass & Avolio, 1995). Respondents indicate how frequently their superior display each item, with anchors of 0 to 4, in which 0 means “never” and 4 means “frequently, if not always”.

