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## **CHAPTER 3**

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## CHAPTER 3

### REVIEW OF LITERATURE AND THEORETICAL BACKGROUND

#### 3.1 Introduction:

A review of literature is a critical analysis of a portion of the published body of knowledge available through the use of summary, classification and comparison of previous research studies, review of literature and journal articles.

Leaders are important to the organizations. They make a business organization successful. The absence of leadership is equally dramatic in its effects. Without leadership, organizations move too slowly, stagnate, and lose their way. Leadership has had a great impact on the culture; history and civilization of humankind. Theoretical explanations for it have been proffered throughout history. Although the term leadership is associated with many other fields, it is of prime importance to industries and business.

A research on leadership will always be preceded by leadership theories. It is started with the definition of leadership then followed by discussions on leadership theories related to the leadership styles (Zabihi Mohammadreza and Hashemzahi Reihaneh 2012).

#### 3.2 Towards a Definition of Leadership-

Leadership has been one of the most widely studied and written about concepts in the behavioural sciences. Our entry into the new millennium has stimulated ever more research speculation and prophecy about leadership needs in the twenty-first century. Joseph Rost (Rost, 1993, p. 179) quotes Chester Barnard, who said in 1948: Leadership has been the subject of an extraordinary amount of dogmatically stated nonsense. If that could be said in 1948, imagine what Barnard might say today when the writing on leadership is piled so much higher.

(Bass, 1990, p. 11) explains the word "leadership" was originally used in the early 1800s in writings about the political influence and control of the British Parliament during the first half of the 19th century (Bass, 1990). In this period, leadership was "based on inheritance, usurpation or appointment" and was considered to occur most frequently in Anglo-Saxon countries.

Several researchers have appointed that, it is arduous to present all-time acceptable definition of leadership. Yukl (2001) argues that there is no "correct" definition; it is

only a matter of how useful it is increasing our understanding of effective leadership. In consistent to Yukl many other authors have studied this topic, but there is no generally accepted definition of what leadership is, no dominant paradigm for studying it and little agreement regarding the best strategies for developing and exercising it (Bennis, 2007; Hackman and Wageman, 2007; Vroom and Jago, 2007).

In a survey research of leadership styles, Dereli Mache (2003) has expressed that, Leadership has been a complex phenomenon about which many theories have been developed. Yukl (1989) has reported that nearly ten thousand articles and books have been published on this subject. Stogdil (1974) noted that there are almost as many concepts about leadership as there are persons who have attempted to define the concept. There are numerous definitions about what it is and under what conditions it reveals itself. In the past 60 years, as many as 65 different classification systems have been developed to define the dimensions of leadership (Fleishman et al., 1991). Bass (1985) stated that, though leadership has long been of interest to historians and philosophers, scientific studies only began in the early 1900s. Still, the body of knowledge has since been fast growing as attested by the more than 350 definitions of the term which scholars have come up with. Giving one specific definition of leadership is a thus very complex task.

According to (Pratch and Jacobowitz; 1997 and Jogulu and Word; 2006) empirical approaches to leadership have been divided into three broad categories viz. the trait approach, the behavioural approach and the contingency approach. Some other approaches enlisted are like transactional and transformational leadership studies. On the same line various researchers have made efforts to explain historical evolution and classification of the different aspects of leadership.

Bass (1990, pp. 11–20) suggested that some definitions view leadership as the focus of group processes. From this perspective, the leader is at the centre of group change and activity and embodies the will of the group.

Another set of definitions conceptualizes leadership from a personality perspective, which suggests that leadership is a combination of special traits or characteristics that some individuals possess. These traits enable those individuals to induce others to accomplish tasks.

Other approaches to leadership define it as an act or behavior—the things leaders do to bring about change in a group. In addition, some define leadership in terms of the power relationship that exists between leaders and followers.

According to Dotlich and Walker, (2004) leadership has been historically and typically defined and understood in terms of traits, qualities and situation in which the leader exists and behaves. Iqubal (2005) cited Jago (1980 and Gray and Strake (1997) to explain leadership as both a process and a property. The Process of leadership is the use of no coercive influence to direct and coordinate the activities of the members of an organised group towards the accomplishment of group activities. As a property leadership is the set of qualities or characteristics attributed to those who are perceived to successfully employ such influence.

Recently Yukl (2010) stated regarding definition of leadership as is defined in terms of individual traits, behaviour, influence over other people, interaction patterns, role relationships, occupation of an administrative position, and perception by others regarding legitimacy of influence.

On the background of above discussion about definition of leadership by various scientists in different research works, leadership definition in present study is reviewed by categorizing it in the four conceptual areas,

1.1 Leadership as trait, property, personality, quality and characteristics

1.2 Leadership as behavior or action

1.3 Leadership as process and

1.4 Leadership as power

1.1 Leadership as trait, property, personality, quality and characteristics –

In leadership study, trait approach was discussed in the early 18th and 19th centuries suggesting traits were thought to be inborn unique to leaders. This claims that leadership is a combination of special trait, property, personality, quality and characteristics attributed to those who are perceived to successfully employ them with followers. These qualities make an individual, able to perform his role of leadership more effectively.

Early definitions of leadership recognized the importance of the ability to influence others, for example, “any act of influence on a matter of organizational relevance” (Katz and Kahn, 1966, p. 334). Leadership is “the ability to influence a group toward the achievement of goals” (Robbins, 1993). According to Daft (1999), it is the ability to set an objective and target and then to set people in motion to reached the defined aims and targets.

Sabuncuoglu -Tuz (2001) expressed that leaders are the ones who are able to put the common thoughts and desires, felt by the group members (followers) but not revealed, in an embraceable objective and put the potential powers of the group members around the common objective into action. According to Zel (2001) it is the ability to gather people around specific objectives and set them in action to perform the objectives,

The GLOBE Study of 62 societies has elaborated on leadership definition by describing it as “the 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” (House et al., 2004, p. 56). Here the focus extends beyond influence to include motivation and enabling of others to help achieve the goals of the organisation. Ward (2010) defines leadership as the art of motivating a group of people to act towards achieving a common goal. The leader is the person in the group that possesses the combination of personality and skills that makes others want to follow his or her direction, Ward adds.

The common point of all the definitions made related to the concept of leadership is that leaders have the ability to impress the followers and the followers are committed to their leader by their own will. Within this perspective, leadership can be defined as the process of directing and stimulating the potential knowledge, skill and talents of the followers in order to achieve the common objectives of the members of organizations (Koc, 2007).

### 1.2 Leadership as behavior or action –

In leadership study, the philosophy ‘to lead is learned’ underpinned the birth of the behavioral approach in the 1930s and the perspective began to move from a belief in the inborn characteristics of leaders, to a focus on behavior which could be acquired or learned.

Teard (1935) in early days described it is an “... activity of influencing people to cooperate towards same goal which they come to find desirable.” As it can be understood from that statement it necessitates an interaction between the two constituents: those who lead and those who follow

Stogdill (1957) defined leadership as the individual behaviour to guide a group to achieve the common target. Leadership is “the behaviour of an individual when he is directing the activities of a group toward a shared goal”(Hemphill and Coons,

1957). Stogdill again in 1974 defined leadership behaviour as that which leaders use to influence a group of people towards the achievement of goals.

Greenleaf (1977) viewed leadership is about service to others and a commitment to developing more servants as leaders. It involves co-creation of a commitment to a mission. Burns (1978) pioneer of modern leadership styles research defined leadership as a mobilization process by individuals with certain motives, values, and access to resources in a context of competition and conflict in the pursuit of goals. Leadership is “the influential increment over and above mechanical compliance with the routine directives of the organization” (Katz and Kahn, 1978). DePree (1989, p. 1) commented leadership is liberating people to do what is required of them in the most effective and human way possible.

Leadership is an interpersonal process through which a leader directs the activities of individuals or groups towards the purposeful pursuance of given objectives within a particular situation by means of communication. (Gerber et al., 1996). Ernsberger (2000) states that leadership involves accomplishing group objectives, taking a diverse group of people, bringing them together, and finding a common thread that enables them to work together to achieve a common goal.

According to Cashman Kevin (2000, p. 20) leadership is an authentic self-expression that creates value. Leadership is the behaviour of an individual when that person is directing and coordinating the activities of a group toward the accomplishment of a shared goal (Rowden, 2000). Fry (2003), explains leadership as use of leading strategy to offer inspiring motive and to enhance the staff's potential for growth and development. Leadership is viewed as a set of behaviors by individuals in the context of the group or organisation to which they belong (Humphries, 2003).

A more inclusive definition of leadership comes from Alan Keith of Genentech who said "Leadership is ultimately about creating a way for people to contribute to making something extraordinary happen." (Kouzes, J., & Posner, B. 2007). Leadership usually refers to motivating people and securing their commitment to negotiated goals (Ukko et al., 2007: 40). Leadership can be defined as the process of directing and stimulating the potential knowledge, skill and talents of the followers in order to achieve the common objectives of the members of organizations (Koc, 2007).

Hersey et al. (2008) perceive leadership as a function, which mean that leaders are viewed as individuals who create an environment that encourages trust, and build a culture in which accountability enables the public disclosure of a leader's behaviour.

Leadership in a broadest sense is defined as leading, of a unique action, in achieving specified organizational goals (Vujic, 2008).

This elaboration about behaviour and action related definitions of leadership are evident of fact that these authors have emphasised behaviour as central aspect of the term leadership. It explains various behaviours that differentiates leaders from non-leaders and identifies the best ways of behaviour as a leader. On the other hand some authors have pointed leader's motivational behaviour through creation of self values. On the whole, in behavioural aspect interpersonal activities takes place through self-expression of leaders.

### **3.3 Leadership as Process**

The process of leadership is the use of non coercive influence to direct and co-ordinate activities' of the members of an organisation towards the accomplishments of group objectives. This process is mostly to influence others so that they will strive willingly and enthusiastically towards the achievements of organisational goals.

Tannenbaum et al. (1961) expanded on the importance of influence and defined leadership "as an interpersonal influence, exercised in situations and directed, through the communication process, toward the attainment of a specified goal or goals" (p. 24).

Leadership is "the process of influencing the activities of an organized group toward goal achievement" (Roach and Behling, 1984).

Kotter (1990): A process of producing change through establishing direction, and aligning, motivating and inspiring people.

Leadership is the "the process of influencing employees to work toward the achievement of objectives" (Lussier, 1990).

As recently as 1990, Michener et al. (1990) described leadership "as a process that takes place in groups in which one member influences and controls the behaviour of the other members towards some common goal" (cited in Denmark, 1993, p. 343), suggesting that the control of employees was a necessary element of effective leadership.

Rost (1993, p. 102): Leadership is an influence relationship among leaders and followers who intend real changes that reflect their mutual purposes.

According to Yukl (1994), leadership is the process of influencing followers. Leaders play an important role in the attainment of organizational goals by creating a climate that would influence employees' attitudes, motivation, and behavior.

Stoner et al. (1996) defined leadership as a process influencing activities related to the works of the group members;

According to Kocel (1999) it is the process of directing and impressing other people in order to accomplished personal and group objectives under specific circumstances.

Leadership is and has been described as the "process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task" Chemers, M. M. (2002).

According to Yukl (2002), it is the process of impressing the people in order to achieve the preset group and organizational objectives,

Dessler (2004) defines leadership as one person influencing another to willingly work toward a predetermined objective.

Organizational leadership definition - "Leadership is a process whereby an individual influences a group of individuals to achieve a common goal" (Northouse, 2004, p. 3).

Ngodo (2008) perceives leadership to be a reciprocal process of social influence, in which leaders and subordinates influence each other in order to achieve organisational goals.

Ngambi et al. (2010) and Ngambi (2011), leadership is a process of influencing others' commitment towards realising their full potential in achieving a value-added, shared vision with passion and integrity. The nature of this influence is such that the members of the team cooperate voluntarily with each other in order to achieve the objectives which the leader has set for each member, as well as for the group.

Defining leadership as a process means that it is not a trait or characteristic that resides in the leader, but rather a transactional event that occurs between the leader and the followers. Process implies that a leader affects and is affected by followers.

Leadership thus is a process or action that affects the actions of an organised group that is working to achieve certain goals

Leadership involves influence. It is concerned with how the leader affects followers. Influence is the sine qua non of leadership. Without influence, leadership does not exist.

Leadership occurs in groups. Groups are the context in which leadership takes place. Leadership involves influencing a group of individuals who have a common purpose.

Leadership includes attention to common goals. Leaders direct their energies toward individuals who are trying to achieve something together.

### **3.4 Leadership as Power-**

Traditionally, a leader was thought of as someone who is in charge of subordinates having special powers. He was thought of as someone with powers to direct the followers for the organisational success. Organisations were based on the idea that the leader is in charge and in power to control of subordinates the thing that leads to the success of organisations.

Leadership is “a particular type of power relationship characterized by a group member’s perception that another group member has the right to prescribe behaviour patterns for the former regarding his activity as a group member” (Janda, 1960).

Leadership is “an interaction between persons in which one presents information of a sort and in such a manner that the other becomes convinced that his outcome will be improved if he behaves in the manner suggested or desired” (Jacobs, 1970).

According to Cook et al. (1997), leadership is the process of directing, energizing and the voluntary commitment of the followers to the vision of the leader.

A leader is “ the one who can make people follow the right or wrong deeds with appearance and personality and is able to transform his/her ideas and will into the followers’ ideas and will” (Garih, 2000).

Korabik and Ayman (2007) view leadership as a transaction between one person (leader) and another person (subordinate),

Leadership is an interaction between two or more members of a group that often involves a structuring or restructuring of the situation and the perceptions and expectations of members, and is concerned with three things; leaders, followers and their interactions (Hasbullah, 2008).

(Koc Hakan, 2011) it could be said that “leaders are the ones who can direct the followers to the behavior in line with the leaders’ desires in order to realize the individual and group objectives.

Yahaya et al (2011) power is defined as the ability to get someone to do something you want done or the ability to make things happen in the way you want them to.

In above definitions, the focus extends beyond trait, behavior and process concepts to include leader’s supremacy and enabling others get directed for achievement of organisational goals.

Thus as described by many authors, leadership can be defined in various ways in different situations.

### **3.5 Historical Overview of Leadership Theories**

In order to understand leadership styles, it is important to have a close look at various leadership theories as well as earlier research work in this field. These theories and studies have direct implication for what style the leaders uses in the in managing human resources.

As leadership has had a great impact on the culture, history, and civilization of humankind, theoretical explanations for it have been proffered throughout history. The term leadership is mostly associated with industry and business; it has great importance to whole society as well. Firstly, this section will provide a historical background to theories of leadership as rooted in business and industry.

Secondly, it will focus on the recent approaches to leadership. Finally, it will end by elaborating on leadership styles one of which is the primary concern of this study, some criticisms and researches conducted in the field worldwide.

Throughout history, people have tried to say what makes a good leader. Some of the most often quoted historical authors include Plato, Machiavelli, Hobbes, and Locke from the West (Collinson, 1998), and Confucius and Xunxi from the East (Collinson, Plan, & Wilkinson, 2000). As early as 500 B.C., Confucius listed the virtues (*de*) of effective leaders. Four were key to his beliefs:

- *Jen* (love)
- *Li* (proper conduct)
- *Xiao* (piety)
- *Zhang rong* (the doctrine of the mean)

Notice that three of virtues are emotional and only one is managerial. Confucius's theory has formed the basis of Chinese government for 2,500 years.

### **Great Man Theory**

In the 18th and 19th centuries, philosophers suggested a theory of leadership which was termed the "Great Man" theory (Denmark, 1993). This theory assumed that personal attributes of the great man "determined the course of history" (Denmark, 1993, p. 344). The great man was believed to have unique and exceptional features and qualities that distinguished him from his followers (Bass, 1990). Only very few

people were thought to have such abilities, which were believed to be innate, i.e. leaders were born with these qualities (Denmark, 1993).

The earliest work in this area grew out of the late Victorian fascination with the "Great Man." Individuals who became leaders were understood to be different, somehow, from those who remained followers.(Leslie Pratchand Jordan Jacobowitz, 1997).

There are different opinions of different authors regarding classification of leadership theories.

Empirical approaches to leadership can be divided into three historical periods:

The trait period, from the beginning of the 26th century to World War II;

The behavioral period, from the onset of World War II to the 1960s; and

The contingency period, from the late 1960s to the present.(Leslie Pratch and Jordan Jacobowitz,1997).

Most leadership research studies in the twentieth century can be grouped into one of the following categories:

The trait approach,

The behavioural approach,

The situational approach,

The contingency approach, and

The relational approach (Bass, 1990; Northouse, 2007; Yukl, 2002).

Northouse (2010) again identified no fewer than 10 leadership approaches or theories to explain leadership manifestations (i.e., trait approach, skills approach, style approach, situational approach, contingency theory, path-goal theory, leader member theory, exchange theory, transformational theory, and authentic leadership theory).

Over the last seventy years, there have been six main schools of leadership theory (Dulewicz & Higgs, 2003; Handy, 1982; Partington, 2003):

1. The trait school
3. The behavioural or style school
3. The contingency school
4. The visionary or charismatic school
5. The emotional intelligence school
6. The competency school.

Out of above mentioned leadership theories we will discuss most considered studies throughout the time.

**i) Trait Theory of Leadership**

One of the off shoots of the great man theory was a spawning of new research and theoretical propositions which focused on the traits or characteristics believed to distinguish leaders from on-leaders. Trait theory is based on the idea that leaders possess certain personal traits enabling them to lead others (Bass, 1990; Yukl, 2002). The focus was on the unique and exceptional abilities and traits of certain individuals (Spotts, 1976). Trait theories were prominent in the literature from 1904 up to 1947 i.e. in the first half century (Bass, 1990). Originally large lists of traits believed to be possessed by leaders were proposed in this theory (Spotts, 1976), however, the list was distilled to include self-confidence, need for achievement, the ability to have motives to carry out an action, and self-monitoring (Ellis, 1988). Once again, these traits were thought to be inborn, and unique to leaders.

Stogdill (1948), in a review of the research literature, suggested that research had not discovered a set of specific set of traits unique to leaders. Rather, leaders are effective in various situations due to how they, in part, use the traits they possess. While more recent research by Lord, DeVader, and Alliger (1986), using meta-analytic techniques, determined that followers' perceptions of leaders are influenced by leaders' intelligence, masculinity, and dominance, Stogdill's research had the effect of limiting trait theory research at the time (Bass 1990; Northouse, 2007).

Leadership trait theory is the idea that people are born with certain character traits or qualities. Since certain Traits are associated with proficient leadership, it assumes that if you could identify people with the correct traits, you will be able to identify leaders and people with leadership potential. Most of the time, the traits are considered to be naturally part of a person's personality from birth. From this standpoint, leadership trait theory tends to assume that people are born as leaders or not as follower. There is a lot of value in identifying the character traits associated with leadership. The question is what kind of personality the leaders need in order to bring the organization to adapt to the changes and inspire the follower to adapt with the changes of the working environment (Yahaya N. etal. 2011).

According to Turner, J. R. & Muller R.,(2005), the trait approach was popular up to the 1940s. The idea behind this school is that effective leaders share common traits. It effectively assumes that leaders are born, not made.

Attempts to identify the traits of effective leaders have focused on three main areas:

- Abilities: hard management skills
- Personality: such as self-confidence and emotional variables
- Physical appearance: including size and appearance.

MahceDereli (2003), identified some shortcomings of this approach. Firstly, it is not clarified which of the traits are most important and which are not. Secondly, some traits overlap. For example, tact, judgments, and common sense are listed as separate traits but the last one covers the preceding ones. Thirdly, trait studies do not distinguish between traits helping to become a leader and those enabling it to be maintained. Fourthly, most trait studies are descriptive.

### **ii) Behavioral Theories of Leadership**

The failure of tracing “gold” in the trait “mines” urged researchers to examine the behaviors that specific leaders exhibited. Behavioral studies of leadership aim to identify behaviors that differentiate leaders from non-leaders (Robbins, 1998).

The perceived failure of the trait approach and the growing emphasis on behaviorism in psychology led researchers to direct their attention to the behavior of leaders.

The behavioural or style school was popular from the 1940s to the 1960s. It assumed that effective leaders adopt certain styles or behaviours. It assumes, in effect, that effective leaders can be made. Most of the best-known theories characterize managers or leaders against one or two parameters, and place them on a one-dimensional continuum or in a two dimensional matrix (Turner, J. R. & Muller R., 2005).

This theory studies leadership by looking leaders in terms of what they do. The leader's effectiveness is judged in terms of individual subordinate outcome or work group outcome. Considerable investigations into this approach have been conducted at OHIO State University. These studies isolated two particular factors affecting the leadership dimensions Consideration and Initiating structure

Behavioral theories of leadership support that a set of particular behaviors can be named as a style of leadership. Leadership style refers to a distinctive behavior adopted by persons in formal positions of leadership (Campell, et al., 1966) and several studies were conducted to identify those.

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**a) The Iowa Studies**

An attempt to identify different styles of leader behavior on the group was conducted firstly at the University of Iowa by a group of scientists (Lewin and Lippitt, 1938). The researchers' came up with three leadership styles to determine their effect on the attitudes and productivity of the subordinates.

*Authoritarian leaders* were very directive and did not allow any participation in the decision-making process. They assume full authority and responsibility from initiation to task completion. *Democratic leaders* promoted group discussion and decision-making. They encouraged subordinates to express their ideas and make suggestions. *Laissez-faire* leaders let the group decide on their own and gave them complete freedom. In other words, they do not provide any leadership at all. Some of the implications of the research were that of the three styles of leadership, subordinates preferred democratic style the best and most effective (Bass, 1990). They also preferred laissez-fair leadership style over the authoritarian one. Authoritarian leaders receive aggressive or apathetic behavior from their subordinates. Productivity was slightly higher under the authoritarian leader than under the democratic one. However, it turned out to be the lowest under the laissez-faire leader's supervision (Lunenburg & Ornstein, 1996).

**b) The Ohio State Studies**

A study by Ohio State University in the 1940s and 1950s advanced the body of behavioural leadership thought by dividing it into two dimensions which they termed "consideration" and "initiating structure" (Kerr et al., 1974).

The researchers at the Ohio State University tried to uncover central features of leader behaviour by asking subordinates and leaders themselves (Yahaya N. et al. 2011).

The Ohio State Leadership studies represent an interdisciplinary undertaking. Psychologists, sociologists and economists were the major contributors.

Not all projects used the same methods to measure leadership behavior, but The Leader Behavior Description Questionnaire (LBDQ). This questionnaire has been used in order to study the leadership behaviors of commanders, and crew members of bomber crews in the Department of the Air Force, commissioned officers, non-commissioned personnel and civilian administrators in the Department of the Navy, foremen in a manufacturing plant, executives in regional cooperative associations, college administrators, school superintendents, principals and teachers, leaders in a

wide variety of student and civilian groups and organizations (Stodgill & Coons, 1957).

The question of how a leader behaves was an important motive which urged the researchers to develop a method. The way a leader carries out activities had become the major core of interest common to all individual research activities of the staff members. Therefore, it was decided to make the development of a leader description instrument which aimed at identifying the methods and strategies of a leader (Hemphill & Coons, 1957).

After an extensive factor analyses of all the items in The Leader Behavior Description Questionnaire, two scores were obtained: *Consideration* refers to behavior on the part of a leader which is characterized by warm and friendly relations with the group members and concern for the welfare of the group.

*Initiating structure* also refers to activities on the part of a leader that introduce new ways of doing things, and new procedures for solving group problems (Hemphill, 1957).

Halpin (cited in Hoy & Miskel, 1991) contends that initiating structure represents any leader behavior that clearly outlines the relationship between the leader and the subordinates establishing defined patterns of the organization, channels of communication, and procedures at the same time. However, consideration reflects leader behavior that shows friendship, trust, warmth, interest, and respect.

### **c) University of Michigan Studies**

In the Michigan-leadership-studies, leaders were first classified as effective or ineffective, then, the researchers searched for distinguishing behavior. This investigation led also to the differentiation of leadership styles in consideration and initiating structure. Although the Michigan researchers called them relations-oriented and task-oriented, the meanings and the contents were the same (Yahaya N. et al. 2011).

There are two distinct styles of leadership: *Production-oriented* and *Employee centered* which are at opposite ends of the same continuum. Production-oriented leaders valued mission or task accomplishment and the technical aspects of the job. Employee-centered leaders delegated decision-making and assist followers in satisfying their needs in a supportive work environment (Hoy & Miskel, 1991).

The Michigan State studies determined a similar description of supervisory behaviors consisting of employee orientation and production orientation, but the Michigan State researchers envisioned these behaviors across a continuum as opposed to the Ohio State's matrix-like construct consisting of two axes (Bass, 1990; Northouse, 2007).

### iii) Contingency Theories of Leadership

The contingency view of leadership emerged from systems theory and its impact on organizational and administrative theory. According to this model, specific leader behaviors relate to group performance and satisfaction. In order to achieve this, certain variables interact with each other such as the leader himself, the position he holds, group members, internal, and external environment of the organization. A successful match between the leader and the group's performance and satisfaction is 'contingent' upon these variables. Three situational variables intervene between the leader's style and effectiveness which are leader-member relations, task structure, and power position. Groups are classified as either favorable or unfavorable based on this criterion (Monahan & Hengst, 1982).

### 3.6 Fiedler's Contingency Model

Fiedler (1967) claims that if organizational performance is to be improved, we must cope not only with the leader's style but also with the situational factors which influence him/her. Organizational performance can be improved either by the leader's fit to the situation or the situation's fit to the leader. Fiedler (1961) also states that leadership traits, if exist at all, would be exposed to many outside effects. Therefore, they are difficult to identify. He argues that a variety of causes may force a man to become a leader, many of which are totally unrelated to personality attributes one of which is inheritance of leadership.

Fiedler (1967) suggests that dealing with leadership effectiveness would be more logical and beneficial on the grounds that the ability to motivate other people may well be dependent upon one or more personality traits. A leader is effective to the extent to which he renders his group more productive. Thus, a leadership effectiveness trait can be termed as a consistent and measurable personality attribute which separates effective leaders from ineffective ones. However, the behavior related with these traits will reveal itself only under appropriate conditions.

Fiedler also developed a semantic differentiating instrument through which the leader rated the co-worker with whom he worked least well called *Least Preferred-worker Questionnaire* (LPC). Leaders who rated their least preferred co-worker positively and favorably were classified as “relationship motivated” and those who rated their least preferred co-worker negatively and unfavorably were defined as ‘task motivated’ (Monahan & Hengst, 1982).

### **3.7 Hersey and Blanchard’s Situational Theory**

Situational theory approaches leadership from the perspective that appropriate leadership behaviors vary according to situational factors. Hersey and Blanchard (1969), in their Life Cycle Theory, later identified as Situational Theory, identified two intersecting axes directive behavior and supportive behavior. Using the axes to develop quadrants depicting the development level of followers, they prescribed associated leadership behaviors of directing, coaching, supporting, and delegating (Hersey & Blanchard 1969; Bass, 1990; Northouse, 2007).

According to this approach, leadership is the process of influencing an individual’s or a group’s activities in their efforts to goal achievement in a given situation. From this definition of leadership, it can be understood that the leadership process is a function of the leader, the follower, and the situation which can be formulated as follows:  $L = f(l, f, \text{ and } s)$ .

The focus of the situational approach to leadership is on observed behavior, not on any hypothetical inborn or acquired ability or potential for leadership. Utmost importance is attached to the behavior of leaders, their group members (followers) and various situations. Thus, training individuals in adapting styles of leader behavior to varying situations is of prime importance. Therefore, through education, training and development most people can increase their effectiveness in leadership roles. By observing frequency or infrequency of certain leader behavior in numerous types of situations, theoretical models can be developed so as to aid a leader to adopt the most appropriate leader behavior for the present situation (Hersey & Blanchard, 1969).

This model claims that the most effective leadership style is contingent upon the readiness level of the group members. It has two components: Ability refers to the skill, knowledge and experience an individual or group brings to a particular task and willingness refers to confidence, motivation, and commitment an individual or group has in order to achieve a specific task.

The crucial aspect of situational leadership theory is that a leader should depend more on relationship behavior and less on task behavior as readiness level of the group members increases. Minimum of task and relationship behavior is required when a group member is very ready (DuBrin, 1995).

#### **iv) Relationship-Oriented Theories of Leadership**

Relationship theories of management are based on the recognition of the contextual existence of leader, follower, and their relationship. Relational theories include path-goal, leader-member exchange, transactional, and transformational (Bass, 1990; Northouse, 2007)

### **3.8 House's Path-Goal Theory**

One contingency theory that has proven popular is path-goal theory (House, 1971). The idea is the leader must help the team find the path to their goals and help them in that process. Path-goal theory identifies four leadership behaviours:

- Directive leaders
- Supportive leaders
- Participative leaders
- Achievement-oriented leaders.

These must then be matched to environmental and subordinate contingency factors:

- Environmental factors:
  - Task structure
  - Formal authority system
  - Work group.
- Subordinate factors:
  - Locus of control
  - Experience
  - Perceived ability.

Path-goal theory focuses on how leaders influence followers' expectations. Robert House, the originator of the theory, proposes a model in which leader behavior is acceptable when employees regard it as a source of satisfaction (Kreitner & Kinicki, 1995). In addition to this, leader behavior is motivational when it eliminates factors that hinder goal accomplishment; provides guidance and support to the employees,

and grants meaningful rewards in return for success. House claims that the leader should stay on the right path to achieve challenging goals. In contrast to Fiedler, who supports that leaders have one dominant leadership style, House believes that leaders can display more than one.

Directive leadership is providing guidance to employees about the task to be accomplished and ways to do it. Supportive leadership is being friendly, approachable, and concerned for the well-being and needs of the employees. Participative leadership is collaborating with the employees and taking their ideas into consideration during the decision-making process. Achievement-oriented leadership is setting high standards and challenging goals for the employees by encouraging them to perform at their highest level (Kreitner & Kinicki, 1995).

### **3.9 Leader-Member Exchange Theory**

Leader-Member Exchange (LMX) theory highlights the relationship between leaders and followers (Goertzen & Fritz, 2004).

Leader-member exchange (LMX) theory conceptualizes leadership as process that is understood by the quality of interactions and opportunities surrounding the dyadic relationships between leaders and their members (Dansereau, Graen, & Haga, 1975). While most leadership research focused on identifying best practices for optimizing organizational outcomes (e.g., satisfaction, motivation, goal attainment) LMX research describes the leadership dynamics that take place implicitly and explicitly in organizations.

The relationship between supervisors and subordinates has received considerable research attention and has been suggested to be one of, if not the most, important relationship for employees (e.g., Manzoni & Barsoux, 2002). Leader-member exchange (LMX) theory has provided a useful framework for examining these relationships and has been the focus of numerous empirical studies (e.g., Gerstner & Day, 1997; Graen & Uhl-Bien, 1995). LMX theory varies from other theories of leadership (i.e., trait leadership theories, contingency theories) in that it assumes leaders differ in the types of relationships they develop with their subordinates. Thus, the unique relationship between a given supervisor and subordinate is the focus of interest.

LMX theory suggests that exchanges (i.e., work and social interaction) take place between supervisors and subordinates. From these exchanges, supervisors form relationships of varying quality with their subordinates. Employees in high quality

relationships receive a number of advantages and benefits compared to their counterparts in low quality relationships. These benefits include increased communication, better roles, higher levels of emotional support, and greater access (Dienesch & Liden, 1986; Graen & Scandura, 1987; Wayne, Shore, & Liden, 1997). Over the past 30 years, LMX research has primarily focused on the outcomes of LMX relationships (Gerstner & Day, 1997).

Leader Member Exchange (LMX) theory is considered a relational approach of leadership (Northouse, 2007; Uhl-Bien, 2006; Yukl, 2002). Relational approach theory is based in part on the concept that social behavior is the result of an exchange process between two parties. Exchange process, as applied in leadership studies, describes relationships existing as exchanges of desirable outcomes between leaders and individual followers (Blau, 1960; Cook & Whitmeyer, 1992; Homans, 1958). Dienesch and Liden (1986), in their survey of the LMX literature, determined the existence of the social exchange element of mutuality, specifically the dimensions of perceived contribution to the exchange, loyalty to the other dyadic member, and mutual affection for the other member as central focus points explaining the development of LMX.

### **3.10. Recent Approaches to Leadership Theories**

Recent work has identified some traits such as high achievement motivation, emotional maturity, integrity, tenacity, task relevant knowledge, adaptability/flexibility, high energy, stress tolerance, need for power for the benefit of the organization, self-confidence, intelligence and the like, as reinforcing the strength of a leader in the performance of the job. (Pathardikar, A. 2006)

#### **3.10.1 Transactional and Transformational Leadership Theories**

In the late 1970s, Burns developed a comprehensive theory to explain the differences between the behaviors of political leaders.

Burns (cited in Deluga, 1995) holds that leadership cannot be separated from followers' needs and goals. Its essence lies in the interaction between the follower and the leader. This interaction takes fundamentally in two different forms.

Burns (1978) continued to build on the concept of leader-follower relationships through his assertion "leaders engage with followers on the basis of shared motives and values and goals" (p. 36). Burns introduced his theory of leadership bounded by

the mutually exclusive concepts of transactional leadership and transformational leadership. Transactional leaders, in Burns' perspective, relate to followers "for the purpose of an exchange of valued things" (p. 19). These exchanges, which could be economic, political, and psychological in nature, are arrived at through a bargaining process in which both leader and follower maintain equal standing. The bargainers (leaders and followers) do not have an enduring, binding relationship beyond the bargained agreement, and may go separate ways after fulfillment of the bargain. There is not a continuing, mutual pursuit of a higher purpose. The relationship between the leader and the follower is purely based on bargaining and it does not go beyond this.

Transformational leadership, in Burns' perspective, transforms the follower by raising the follower's level of consciousness about the importance and value of both outcomes and way of reaching those outcomes through engaging with them in ways that "both leader and follower are raised to higher levels of motivation and morality" (Burns, p. 20). The transformational leader is able to influence the followers to transcend their own self-interest for the sake of the larger team or organizational goal. However, transformational leadership occurs when the leader and the follower elevates one another to higher levels of motivation and morality. Carlson (1996) points out that Burns felt that leadership theories developed up to the mid-seventies were lacking ethical/moral dimensions so he elaborated on his exchange theory which maintains that followers play a crucial role in the definition of leadership. This theory is made up of power relations and entails bargaining, trading and compromise among leaders and followers.

This transactional model has a political basis and emphasizes the need to look closely at sociocultural aspects that have an impact on the leader-follower relationships. According to Stodgill (1997) these can be external factors such as the availability or scarcity of resources, changes in the society, and a competitive environment that influences an organization which also in return affects the leadership of the group as well. Transactional leaders encourage subordinates by appealing to their self-interest and offering rewards in exchange of work effort which are contingent reward and management by exception.

The former urges the leader to tell the followers what to do in order to achieve a desired reward for their efforts, whereas the latter one allows the leader to interfere with the subordinates' work only when specifications or standards are not met (Hunt, 1991).

In the 1990s Bass and Avolio developed the Multi-factor Leadership Questionnaire (MLQ) so as to identify four distinct characteristics of transformational leaders, which are called as "4Is":

*Idealized influence or charisma:* Based on follower reactions and leader behavior. Followers identify with and admire these leaders. Such leaders are deeply respected, have referent power, set high standards and challenging goals for their followers

*Inspirational motivation:* Depends on how much followers wish to identify with the leader. The leader makes use of symbols and images to raise awareness of shared and desired goals

*Intellectual stimulation:* Followers let go of their past. They are encouraged to question their own beliefs, values, and expectations, as well as those of the leader and the organization itself

*Individualized consideration:* Different but equal treatment of the followers. The leader delegates assignments to followers to provide learning opportunities and coaches them if they need it (Bass & Avolio, 1997).

DuBrin (1995) states, in literature charismatic and transformational leadership are closely related with each other. Further they remind the reader that, not all leaders are transformational until they bring about a change in their organizations.

Bass's (1985) concept of transactional and transformational leadership, while built on Burns's (1978) work, differs from Burns' perspective of the relationship between transactional and transformational styles. Bass argues that transactional and transformational leadership are separate, complimentary concepts (as opposed to Burns' concept of transactional and transformational leadership being mutually exclusive), and carries this argument even further with the claim that the best leaders are both transformational and transactional in style (Bass, 1985, 1990, 1995, 1999). Bass (1998) suggests it is transactional leadership, through honoring commitments of contingent rewards, creates trust, dependability, and perceptions of consistency, which in turn form the basis of transformational leadership. Transformational leadership, through its focus of idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration augments transactional leadership by contributing to the extra effort and performance of followers.

If one attempts to examine transformational leadership theory, it can be clearly seen that it is epistemologically based on positivist/empiricist foundation on which traditional conceptualizations of leadership have been formulated (Allix, 2000).

### **3.10.2 The Competency School of Leadership Studies**

Since the late 1990s, the emphasis has been to identify the competencies of effective leaders. This may appear to be a return to the trait approach. However, competencies can be learned, so leaders can be made, not just born. Further, different combinations of competencies can lead to different styles of leadership, appropriate in different circumstances, producing transactional leaders in situations of low complexity and transformational leaders in situations of high complexity. In addition, competencies can be technical or intellectual in nature, emphasizing Barnard's cognitive roles, or emotional in nature, emphasizing Barnard's cathectic roles and the domains of emotional intelligence. Dulewicz and Higgs (2003) give an overview of the competency school.

#### *The Competence School of Leadership*

The focus of leadership research is now on the competence of leaders, and competencies they exhibit (see, for example, Alimo-Metcalfe & Alban-Metcalfe, 2001; Bass & Avolio, 1995; Bennis, 1989; Dulewicz & Higgs, 2003; Goffee & Jones, 2000; Goleman et al., 2002; Kets de Vries & Florent-Treacy, 2002; Kotter, 1990; Kouzes & Posner, 1998; Marshall, 1991; Zaccaro, Rittman, & Marks, 2001).

#### *Competence and the Earlier Schools*

At first sight, it might appear that the competence school signals a return to the trait school. However, in reality, the competence school encompasses all the earlier schools. Competence can be defined as knowledge, skills, and personal characteristics that deliver superior results (Boyatzis, 1982; Crawford, 2003).

Thus, competence covers personal characteristics (traits as understood by the traits school and emotional intelligence), knowledge and skills (including intelligence and problem-solving ability, as well as management skill). However, it goes on to show that different competence profiles are appropriate in different circumstances, covering the contingency school. Finally, personal characteristics also encompass charisma and vision, and it is possible to build up different competency profiles to match different forms of leadership such as transactional and transformational leadership.

#### *Types of Competence*

Dulewicz and Higgs (2003) show that many of the authors identify up to four types of competence that determine leadership performance (Kets de Vries & Florent-Treacy, 2002; Marshall, 1991; Zaccaro et al., 2001):

- Cognitive • Behavioural
- Emotional • Motivational

Cognitive competencies are related to Barnard's cognitive functions of the executive, and Confucius's *li*. Emotional, behavioural and motivational competencies are related to Barnard's cathetic functions and Confucius's *renandyi*. (How far have we come in 2,500 years?) However, based on their own observations and their analysis of the literature, Dulewicz and Higgs (2003) suggest that three types of competence explain most managerial performance:

- Intellectual (IQ)
- Managerial skill (MQ)
- Emotional (EQ).

From the above list, they have broken cognitive into intellectual (intelligence and problem-solving abilities) and managerial (knowledge and skills of management functions). They have combined emotional, behavioural and motivational (Barnard's cathetic functions) into one.

Elsewhere, Dulewicz and Higgs (2000) show that intellectual competence (IQ) accounts for 27% of leadership performance, managerial competence (MQ) accounts for 16%, and emotional competence (EQ) accounts for 36%. Emotional competence is therefore the most significant, but the other two are important, as Barnard and Confucius suggested.

Entrepreneur as a leader possesses various competencies. These competencies are as

- Risk taking
- Innovative
- Proactive

Since entrepreneur's these competencies as styles form the basis of present research model, we discuss it in a separate section after considering the literature on leadership theories and styles.

### **3.11 Entrepreneurial Leadership: A New Paradigm**

Interestingly, entrepreneurship and leadership passed the same way of historical evolution. At the very early stage, both disciplines focused on personality traits and demographic characteristics to differentiate between entrepreneurs and leaders from other people. Thereafter, they both looked at the behavioural factors that entrepreneurs

and leaders need to be able to successfully motivate a group of followers to achieve a vision. Finally, contextual or situational factors have been studied to show the effects of environmental elements in stepping into entrepreneurship and leadership activities. Similarities between the two disciplines are so much that inspired some of the scholars to define entrepreneurship as a type of leadership, though in an economic and dynamic context (Fernald, Solomon & Tarabishy, 2005; Cogliser & Brigham, 2004; Vecchio, 2003).

In contrast, other researchers called this definition as a simplistic and parsimonious explanation of entrepreneurship (Vecchio, 2003). Since, entrepreneurs establish a firm from the first scratch but leaders operate in an existing one (Gupta, et al., 2004). Moreover, although there may be some common features, entrepreneurs are more complex in personality traits and skills and lead in an extra ordinary situation (Cogliser & Brigham 2004). Therefore, entrepreneurial leaders need to develop more personal and interpersonal abilities to be able to successfully lead a new venture.

Despite all the debates, the critical issue is that how entrepreneurship can take advantage from leadership to cope with the various challenges of venture creation and increase the probability of success in business world. In turn, how leadership can benefit from entrepreneurial capabilities to deal with highly agitated and competitive organization environment (Cogliser & Brigham, 2004). Thus, in order to gain better understanding of both phenomena and utilizing the synergy in sake of improving the two disciplines, scholars integrated them into a new paradigm as 'entrepreneurial leadership' (Yang, 2008; Gupta, et al., 2004).

By definition, entrepreneurial leadership is the process of creating an entrepreneurial vision and inspiring a team to enact the vision in high velocity and uncertain environments. It has three main components of proactiveness, innovativeness, and risk taking (Surie & Ashely; 2008; Chen, 2007; Kuratko, 2007; Gupta, MacMillan & Surie, 2004) as follows:

- *Proactiveness*: is being active to influence and lead the future rather than waiting to be influenced by it, exploit opportunities, and accept the responsibility of failure (Kuratko, Hornsby & Goldsby, 2007). It is being able to anticipate future problems, needs for change, and improvement (Okudan & Rzasa, 2006). As a matter of fact, entrepreneurial leadership is a proactive response to environmental opportunities (Surie & Ashley, 2008).

- *Innovativeness*: is defined as the ability and tendency to think creatively, develop novel and useful ideas in opportunity recognition, resource utilization, and problem solving (Mattare, 2008; Chen, 2007; Okudan & Rzasa, 2006; Gupta, MacMillan & Surie, 2004). It is the distinctive attribute that differentiates entrepreneurs from those who want just to be self employed (Okudan & Rzasa, 2006; Kuratko, 2005; Mueller & Thomas, 2000).

- *Risk taking*: is the willingness to absorb uncertainty and take the burden of responsibility for the future (Chen, 2007). Prudential and calculated risk taking is one of the common characteristics of entrepreneurial leaders particularly in the early stages of entrepreneurship process (Robinson, Goleby & Hosgood, 2006; Zhao, Seibert & Hills, 2005).

Importantly, individuals need to develop all these qualities to be able to successfully perform the challenging tasks and roles of an entrepreneurial leader (Okudan & Rzasa, 2006).

### **3.12 Working Environment**

Historically, work has been an important part in the life of human beings. It is essentially an economic activity. Companies are established in order to manufacture products or provide services for the market. Every company tries to do this in the most efficient way and to improve its performance. This approach takes not only financial factors, but also customer, internal business and innovation and learning perspectives into a full and 'balanced' account. In this respect, it can be noted that over the last decade, the concept of business performance has been broadened.

It has been accepted that work influences individual's affective status and well-being. Working environment is concerned with the overall climate of work and the impact on work and people as well as on organization effectiveness. This is no more a specialized word but has become a necessary and must for the best survival. In this era, working environment for human inputs is the greatest need in any organization. Rise in the working environment would help employees' wellbeing there by the wellbeing of the whole organization.

Encouraging approach towards working environment considers people as an asset to the organization rather than as costs. It believes that people perform better when they are allowed to participate in managing their work and make decisions. This approach

motivates people by satisfying not only their economic needs but also their social and psychological ones. To satisfy the new generation workforce, organizations need to concentrate on job designs and organization of work. Further, today's workforce is realizing the importance of relationships and is trying to strike a balance between career and personal lives.

Bharathi, P.S. et al (2011) describe in their work that. Legislation enacted in early 20<sup>th</sup> century to protect employees from job-injury and to eliminate hazardous working conditions, followed by the unionization movement in the 1930 and 1940s were the initial steps. Emphasis was given to job security, due to process at the work place and economic gains for the workers. The 1950s and the 1960s saw the development of different theories by psychologists proposing a “positive relationship between morale and productivity”, and the possibility that improved human relations would lead to the enhancement of both. Attempts at reform to acquire equal employment opportunity and job enrichment schemes also were introduced.

There are a number of different approaches to the various factors affecting the working environment: the physical/technical approach with a focus on physical factors such as ventilation conditions, temperature, and noise; the medical approach with a focus on the health-promoting or straining nature of work; the management-oriented approach with a focus on the importance of management and HRM; the safety-oriented approach with a focus on counteracting the risk of accidents; the chemical approach with a focus on substances and materials in the workplace; and the ergonomic approach with a focus on musculoskeletal injuries (Sorensen et al. 2012). Hasle et al. (2010) observed that as the many different approaches reflect, the working environment in a service oriented society represents a more complex and multifaceted area than was the case previously.

Waitayangkook (2003) in his study consider working environment as one of the applied techniques used in management training which is beneficial in today complex environment of social, economic and political. Barling (2003), in their research, concluded that lacking working environment blow damage into the job and there is there is significant positive relationship between the working environment and increasing the skills, information and motivation.

Gupta and Sharma (2011) found that many factors contribute to working environment which includes adequate and fair remuneration, safe and healthy working conditions and social integration in the work organization that enables an individual to develop

and use all his or her capacities. It is an important factor that affects employee motivation at work.

Akdere (2006) holds that researchers interested in the concept of quality of work life are looking for new mechanisms to help employees to balance their work and personal lives.

According to Johnstone (2004), adequate conditions of work are among the factors that can exercise a positive or negative influence on language teacher education. Noor and Abdullah (2012) observed that when organization offers quality of work life to their employees, it is a good indicator to boosts its image in attracting and retaining employees. This is important as it indicates firms are able to offer appropriate working environment to employees. According to Marc, De Greef & Karla, Van den Broek (2004), a better understanding of positive effects of a good working environment would support the implementation of effective health and safety policy at company level. It would complement the set of rules and regulations with a significant parameter that is directly linked to the intrinsic motivation of a company. There is a link between a qualitative working environment and the productivity of a company and it has a strong influence on the productivity and profitability.

In case of working environment the traditional physical factors no longer are significant, or that they have been supplemented by several new dimensions. The understanding of work, the employees' roles, the way work is perceived, and the relationship between management and employees have changed so extensively that working environment can no longer be comprehended on the basis of traditional categories and approaches (Allvin & Aronsson 2003). Kussela, B.R. (1997) studies on the inter-relationship between the working environment and productivity have revealed a positive correlation between the two. Steps taken to develop the working environment have also improved productivity and measures adopted to increase productivity have had a positive impact on the standard of the working environment. As safety at work improves, material damage and malfunction decrease and accidents and the number of sick days decline, while the volume of production increases and quality improves. The lack of balance between working life and family life is a social problem, which cannot be solved at the society level as it is taking place at the same time as the society level is contributing to the creation of work-life balance and the lack of work-life balance simultaneously (Emerek & Holt 2008, Esping-Andersen 2002, Fine-Davis et al. 2004)

Dorman (2000) and Court, (2003) observed that many companies are still unaware of the economic aspects of occupational safety and health. They often do not recognize the costs of accidents and ill-health and even if they are conscious of the fact that a poor working environment may result in costs for the company, they rarely measure these. There should be a uniform or consistent payment guideline for employers to follow for registered social employees. Many employees according to Antel (2006) feel they are not compensated fairly for their work. Normala and Daud (2010) in their study, 'Investigating the Relationship between Quality of Work Life and Organizational Commitment Amongst Employees in Malaysian Firms' say that the quality of work life of employees is an important consideration for employers interested in improving employees 'job satisfaction and commitment. As per the observations of (Lu, 2007; Spector 1997; Tsai et al., 2007) generally, research results suggest that working environment has a positive relationship with the other variables within the organisation such as performance, efficiency, job satisfaction, and organisational commitment. Sorensen et al. (2008) concluded that, the working environment research perspective covers the interplay between the relationships, influences, and conditions under which human beings work. However, working environment research is also concerned with the technical and social development affecting the safety of the employees and ultimately the physical and mental health at the workplace. The employee is therefore the conceptualization of the main focus of interest of working environment research. Working environment research generally deals with the paradoxical fact that working conditions can cause impacts, which for some people can be stressful and for others stimulating. Thus, it is difficult to provide general guidelines especially in the "softer" areas.

In summary, where it has been considered, authors differ in their views on the core constituents of Working Environment. It has generally been agreed however that Working Environment is conceptually similar to well-being of employees but differs from job satisfaction which solely represents the workplace domain.

### **3.13 Leadership and Organisational Performance**

Organizational performance refers to ability of an enterprise to achieve objectives such as high profit, quality product, large market share, good financial results, and survival at predetermined time using relevant strategy for action (Koontz and Donnell,

1993). It can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization. Organizational performance is one of the most important dependent variable of interests for researchers concerned with just about any area of management (Richard et al. 2008). According to Madrid- Guijarro et al. (2007) high performing firms are able to generate a variety of company and society benefits like attracting resources, wealth creation and jobs generation. These authors also claimed that an accurate measure of performance can provide reliable insight into what affects performance and how firms can develop good strategies, arrange resources, meet consumer expectations and compete. The result obtained as a result of the efforts to reach the set objectives and target in organizations determines performance. Within this frame, performance can be defined as “the extent a task is achieved” (Bayram, 2006). From an organizational point of view, there are a variety of performance indicators, some of which are financial performance, marketing performance, human resources performance, etc., all of which make up the general performance of an organization. Organizational performance is the total performance of the system. What is important to the organizations is the individual performance, since an organization can be at best to the extent of the performance of employees (Col, 2008).

Understanding the effects of leadership on performance is important because leadership is viewed by some researchers as one of the key driving forces for improving a firm’s performance. Effective leadership is seen as a potent source of management development and sustained competitive advantage for organizational performance improvement (Avolio, 1999; Lado, Boyd and Wright, 1992; Rowe, 2001). For instance, transactional leadership helps organizations achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring that employees have the resources needed to get the job done (Zhu, Chew and Spengler, 2005). Visionary leaders create a strategic vision of some future state, communicate that vision through framing and use of metaphor, model the vision by acting consistently, and build commitment towards the vision (Avolio, 1999; McShane and Von Glinow, 2000). Some scholars like Zhu *et al.* (2005), suggest that visionary leadership will result in high levels of cohesion, commitment, trust, motivation, and hence performance in the new organizational environments.

When reviewing literature related to leadership and performance, Wang et al (2010) found that most papers emphasized effects of the leadership style on organizational promise and performance, but few discussed correlations amongst the leadership style, the organizational performance and the human resource management strategy. In their work most research results showed that the leadership style has a significant relation with the organizational performance, and different leadership styles may have a positive correlation or negative correlation with the organizational performance, depending on the variables used by researchers.

Previous studies led the expectation that leadership paradigms will have direct effects on customer satisfaction, staff satisfaction, and financial performance. In general, however, the effects of leadership on organizational performance have not been well studied, according to House and Aditya's review (1997), who criticised leadership studies for focusing excessively on superior-subordinate relationships to the exclusion of several other functions that leaders perform, and to the exclusion of organizational and environmental variables that are crucial to mediate the leadership-performance relationship. Earlier studies have demonstrated that there are links between leadership and performance (As-Sadeq & Khoury 2006; Ling et al. 2008; Lo et al. 2010). These studies also have shown that a good leader can enhance organisational performance (Bass 1985; Ogbanna & Harris 2000; Tarabishy et al. 2005; Yang 2008). Scholars have suggested that leaders and their leadership style influence both their subordinates and organizational outcomes (Tarabishy, Solomon, Fernald, and Sashkin, 2005).

On the contrary, Ogbonna and Harris (2000) found that leadership style is not directly linked to performance *but* is merely indirectly associated. Elenkov (2002) held that effective leadership behavior increases the performances of the employees and organizations, the leadership skills affect the group performance. Koc Hakan (2011) observed that there is a statistically significant relationship, despite being low ( $r=0.259$ ), between the managerial leadership behavior of the managers and employee performance. Even though there is a low relation, it is understood that this has a noteworthy impact on the employee performance.

In order for entrepreneurs to survive in their business operations, they must continuously improve and develop their performance by ensuring they maintain adequate resources such as information, employees, and instruments and use them to generate the greater benefit for their businesses (Vichitdhanabadee et al., 2009). Shuying and Hui (2006) on exploring the effects of Chinese business

management practices on business performance concluded that business leaders should adopt certain management practices to enable the strong performance of their businesses. These practices are role-specific and differ in terms of environment analysis, operations planning, control and follow-up as well as the entrepreneur's personality and cultural background. Equally, an extensive study by Neneh (2011) identified five business practices (marketing practices; performance management practices; strategic planning practices and teamwork) to be the necessary business practices required for the long-term survival of SMEs. She further believes that businesses that have a mixed bag of these practices, alongside a set of desired entrepreneurial characteristics will attain long term survival.

In small medium enterprises (SMEs), the leadership behaviours of the top management can have a strong impact on the innovativeness and the performance of the firm (Matzler et al.2008).In regards to the studies on leadership behaviours and performance of SMEs, transformational leadership is found to have a positive impact on the performance of SMEs and this relationship is significant (Matzler et al. 2008; Pedraja-Rejas et al. 2006; Yang 2008). However, in regards to transactional leadership, contradicting findings are found between these studies. Transactional leadership is found to have a small, significant positive relationship towards the performance of SMEs in study conducted by Yang (2008) but there is a negative and significant relationship between transactional leadership and the performance of organization in study conducted by Pedraja – Rejas et al. (2006).

### **3.14 Conclusion:**

Chapter discussed about the existing scenario of research in the area of leadership, entrepreneurs and entrepreneurship. Different author discussed various aspects of entrepreneurship and leadership. Since beginning of last century leadership study has been area of researcher's interest. It is observed that of one's influence is common in leadership process. Entrepreneurial leadership study is new field of study. Most of leadership studies are conducted in North America.

The next will talk about data analysis and interpretation. The data collected from primary source were analyzed by using various statistical tools and presented in tables. Chapter will discuss about opinions of samples and hypothesis testing.