

**Transformational Leadership and the Learning Organisation:  
Exploring Requirements for Management of Anticipatory  
Organisational Change in the South African Banking Industry.**

by

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## Abstract

The purpose of this study is to examine the relationship between transformational leadership, the manner in which these leaders approach their work and a variety of organisational outcomes in the South African banking sector. In particular, the manner and extent to which transformational leaders focus on the management of organisation culture and are able to bring about learning within their organisations was examined. Other areas explored included their sensitivity to the macro environment and extent to which proactive action is taken. These aspects have not been widely researched and provided the opportunity to seek new relationships.

The study also replicated previous research by Bass and his colleagues that established linkages between transformational leadership and outcomes such as subordinates willingness to work harder, perceived leaders effectiveness and satisfaction with the leader.

The eight propositions are tested in 10 Strategic Business Units (SBU's) within the 4 largest South African banks. Data was collected using the multifactor leadership and 11 factor learning organisation questionnaires and also through structured open - ended interviews with the executives directly responsible for leadership of these 10 SBU's.

Support was found for greater learning taking place within areas led by the relatively more transformational leaders in the sample. The level of appreciation and understanding of the concept of the learning organisation among the executives sampled however, was found to be low throughout the sample. In addition, support was found for the outcome measures, although not in the manner in which previous research had established. Those executives that were relatively more transformational were also found to be more proactive in their actions at the workplace. There was no support found for the proposition that transformational leaders are more sensitive to and aware of the happenings and trends in the macro business environment.

The main contribution of the study is the finding that concerted efforts are required if the establishment of the learning organisation as a valid response to environmental changes is to be attained. Relying on individual leadership orientations is unlikely to be sufficient.

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My appreciation is also extended to those organisations that co-operated with this research and the senior executives within those organisations who participated. I am grateful for their time and interest.

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## Chapter 1

### 1 Introduction.

This chapter provides the context to this research by providing a background and motivation for the work, a definition of the problem, key questions to be examined, assumptions and limitations of the thesis, the structure of the thesis and an overview of the research tasks undertaken.

The chapter has been structured to provide clear guidelines for the thesis as a whole.

#### 1.1 Background to this study.

According to Senge (1990:7), “the average lifetime of large industrial enterprises is less than half the average lifetime of a person in an industrial society”. De Geuss (1988) found however that a small number of companies were able to survive and prosper for long period of time and that it was their ability to “run experiments in the margin” that created new sources of growth and prosperity.

According to Hamel and Prahalad (1994), very few companies that began the 1980's as industry leaders ended the decade with their leadership intact and undiminished. They observed that companies with a history of success seemed reluctant or unable to react to changes in their environments or to match the external pace of change internally. They point out that companies faced with this situation find their structures, skills and abilities becoming less attuned to the needs and requirements of the new realities in their industries.

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Adaptation to environmental change is central in the study of organisations (Hannan and Freeman, 1977), (Miles, 1982) and (Ford and Baucus, 1987). Managers and leaders are expected to deliver good performance, to cope with downturns and ensure that their organisations adapt to changing environments. Bass (1985a) states that people's sense of continuity with the past has become "increasingly fractured by the pace of social and technological change". Drucker (1992:3) argues that we are living in "an age of transformation".

Starbuck and Hedberg (1977) observed that top level decision makers in organisations who experience performance downturns within their organisations tend to continue to use once successful, but currently ineffective practices, as opposed to innovating new practises. It would seem that many organisations only change when required to do so by forces in their environment. The ability to change in anticipation of changes in the wider environment would intuitively seem to be a valued competence in today's business world. Drucker (1985) concurs, saying that "it takes a special effort for existing business to become entrepreneurial and innovative. The normal reaction is to allocate productive resources to the existing business".

Hamel and Prahalad (1994) argue that the task of organisation transformation is defined by the discrepancy between the pace of change in the industry environment and the pace of change in the internal organisational environment. A dramatic increase in the rate of change in business environments internationally is forcing leaders to re-evaluate the assumptions upon which their businesses have been built. Bahrami (1992:48) writes that "our existing organisational systems and managerial mindsets have evolved to address uni - dimensional imperatives, rather than the new, rampant multi - dimensional tensions". Furthermore, he suggests a trend from rigid organisations to agile and adaptive organisations that are better able to cope with innovation and change.

Naisbitt and Aburdene (1992) state that "in the decade of the 1990's, we are moving from managing control to leadership of accelerated change".

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Changing technologies and competitive forces can lead to today's corporate success stories becoming tomorrow's take - over targets or liquidations. Organisations need to develop new ways of maintaining relevance to their broader environments. Yet Brown (1994:11) asserts that "organisations are naturally conservative, they are more concerned with preserving the present than creating the future". More ambitious leaders of organisations will be seeking the means to stimulate the amount of learning taking place by the members of their organisations in order to anticipate changes in their environments and to respond appropriately before their competitors can. This capability may well be more significant than an organisation's asset base or liquidity.

Rapidly altering business situations have led to a proliferation of responses from business organisations. The results of many of these interventions have often been below the expectations of those managers and leaders initiating change. "Frustrated by the changes upon changes that have produced little improvement, managers have been drawn to the concept of organisational learning - the process by which they become aware of the qualities, patterns and consequences of their own experiences, and develop mental models to understand these experiences", (McGill and Slocum, 1993:67).

McGill and Slocum (1994) suggest that more than a decade of focus on change has left many organisations no better placed to cope with the demands of their competitive environments than if they had not changed at all. They accept that companies have changed but question whether these changes have created "smarter" companies. They suggest that "smarter organisations learn to change and learn from change".

Schein (1993b) argues that the issue is no longer the management of change, but the "management of surprise". He also suggests that learning is not merely an option, but a prerequisite and that organisations need both to learn and to learn how to learn faster. Garratt (1988) believes that the need for a culture of learning has seldom been greater. He points to public disasters such as the sinking of the Herald of Free Enterprise as being

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evidence of the lack of such a learning inclination. Ancona and Caldwell (1989) conclude that the central role of innovation in the long term survival of organisations provokes continuing interest among social scientists and practitioners alike. Drucker (1993) suggests that resources which have previously had greater importance, such as land, labour and capital have been subordinated to knowledge. Furthermore, he states that "knowledge is the primary resource for individuals and for the economy overall". Pettigrew (1990) believes that "the modern knowledge - intensive world economy is a learning race in which only corporate cultures with a thirst for discovery can survive".

Nonaka (1991:96) asserts that "in an economy where the only certainty is uncertainty, the one sure source of lasting competitive advantage is knowledge". He believes that those organisations who master the art of creating new knowledge will be most likely to succeed in turbulent business environments.

In a world increasingly effected by emerging technologies, the ability to innovate is likely to become a prized organisational competence. This implies however, that organisations will be required to abandon previous ways of doing things, something that is often resisted in the traditional organisation

Stewart (1994) postulates the main ingredient of the new economy as being "intellectual capital". He regards this as being a largely intangible corporate asset comprising knowledge, skills and information. Stewart believes that managers will need to learn to operate and assess businesses in an environment where knowledge is the business's chief resource and result. Schein (1993b) believes that learning is no longer a choice, but a necessity, and that the most urgent priority for organisations is to learn how to learn and how to learn faster. Senge (1990) quotes De Geuss (1985) as saying that "the ability to learn faster than your competitors may be the only sustainable competitive advantage". Senge also asserts that "over the long run, superior performance depends upon superior learning".

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Garratt (1992) states that "it is the role of top managers to encourage learning for codification and diffusion around the organisation". According to Bass and Avolio (1990), transformational leaders are better able both to detect the need for change and to facilitate the required change processes in organisations. Avolio (1994:139) writes "leaders at the top and subsequent levels must help to define or redefine the goals for the culture, as well as the goals for continuous development and improvement in performance". Yukl (1994) believes that transforming leadership is able to mobilise power to change social systems and to reform institutions.

Brown (1994) suggests that in order for such extraordinary results to occur, organisations require transformational leadership, leadership that instils a sense of purpose and emotional identity with the organisation. Bennis (1989) terms such a leader a 'social architect'. Shareef (1991:51) calls for an "organic leadership theory congruent with the social and organisational self - renewing demands of innovative companies". Bass and Avolio (1993) believe that transformational leaders are skilled in engendering cultures of creative change and growth - cultures which reject the status quo.

Leaders of modern organisations are therefore faced with the need to successfully implement strategies and maintain the relevance of their organisations in increasingly unpredictable environments.

Post 1992 and the release of Nelson Mandela, the South African business environment has become significantly more competitive and exposed to international pressures and trends. This research will explore the roles that leaders with differing styles and approaches play in recognising and responding to environmental changes and in stimulating learning in the South African business environment.

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## **1.2 Motivation for the study**

Much has been written about the concepts of the “learning organisation” and organisational learning (Nevis, Di Bella and Gould, 1995; Garvin, 1993; McGill and Slocum, 1993, Ulrich, Jick and Von Glinow, (1993) and Jones and Hendry, (1992). To date, however, there is a relative paucity of research that has been conducted in the area. There is a danger that learning within organisations and related concepts run the risk of being regarded as “fads” and, as such, temporary areas of interest for authors and researchers. Rigorous research is therefore required in order to establish the importance of these concepts.

The motivation for this study was to attempt a unique exploration of the relationships between transformational and transactional leadership (to be defined in chapter two) and the learning organisation (defined in chapter four) within the constraints or parameters of certain organisational settings and cultures. The concepts of transformational and transactional leadership have been researched in depth in many parts of the world. A number of researcher have explored the relationship between leadership, the management of culture, innovation and entrepreneurship (Kanter, 1984; Pegg, 1989, Drucker, 1985, Bennis, 1989, Pettigrew and Whipp, 1991). Kanter and Drucker focused their efforts broadly upon stimulating innovation and entrepreneurship within organisations. Both writers identified a number of organisational constraints to innovation. They did not, however, try to link a specific model of leadership behaviour to innovation or entrepreneurial behaviour.

In addition, the focus of many authors tends to be extremely narrow, resulting in a disregard for many of the factors that influence organisational learning. This disregard can lead the reader to interpret the concept as being a “magical solution”. This narrow view also tends to detract from the seriousness and importance of the area of study. Whipp and Pettigrew (1990) bemoan the lack of studies connecting leadership with competitiveness.

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A final and personal reason for exploring this area is the dearth of current experts in the integrated field, both academically and in consulting, and the consequent opportunity this presented for creating consulting opportunities.

### **1.3 Potential value of the study**

This research will assist to answer questions relating to whether certain leadership styles and approaches should be actively matched to an organisation's circumstances. In other words, it may be useful to know the type of leader who will be most effective at a certain stage in an organisation's lifecycle and under different industry circumstances. Rather than a board of directors and its chairman relying exclusively on the experience and intellectual ability of candidates for the position of chief executive, the leadership style of candidates could provide a more accurate indication of their potential effectiveness.

The ability to detect subtle cues in the environment and to act proactively in order to ensure appropriate and timely organisational responses is a highly valued ability in today's business environment. If certain leadership styles and approaches are more likely to possess these abilities, the corporate boards and chairpersons have a better chance of making the right decisions in this regard. Rather than an organisation being forced to change through pressure from shareholders and bad financial results, change can be achieved (or at least initiated) prior to significant damage being incurred by the organisation.

If transformational leaders are more attuned to their industry environment, then it is likely that they will not only pick up the necessary cues, but they will be able to take more specific action in order to meet the anticipated changes required. Transformational leaders may well have a better grasp of the "cultural levers" to manipulate in order to bring about certain changes.

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Learning within organisations is increasingly regarded as a required response to change in the business arena. In order to learn though, organisations may need to review prevailing assumptions and other deeply held beliefs. If certain leaders are found to be more able than others in achieving learning in their organisations, this would be an important finding. The inertia that prevails within many organisations may be less likely to exist in those organisations that are dedicated to organisational learning. Leaders who are able to establish a learning orientation in their organisations may find that the learning itself will reduce inertia and resistance to change. In other words, having established a learning orientation in their organisations, transformational leaders may not be necessary to change organisations that already possess an effective learning orientation.

#### **1.4 Problem Definition and Key Questions**

A number of critical questions remain to be answered in the areas researched. These include:

##### **1.4.1 The main question.**

- What leadership approaches are more effective when ensuring appropriate organisational responses to changing business conditions and environments?

##### **1.4.2 Related questions**

- How do transformational and transactional leaders differ in their perceptions of their strategic macro - environment? Are transformational leaders more attuned to the subtle cues in the environment?
  - Are transformational leaders really more proactive in their actions than transactional leaders?
-

- Do transformational leaders focus more attention and effort on the management of culture than transactional leaders and how do they do so?
- Do transformational leaders focus more attention and effort on learning in their organisations than transactional leaders?
- If the above question is true, how do transformational leaders go about achieving greater levels of learning?
- Do transformational leaders possess a greater level of self insight into their leadership style than transactional leaders?
- Do subordinates prefer working with transformational leaders as opposed to transactional leaders. i.e. are they more satisfied working for transformational leaders and do subordinates regard transformational leaders as more effective in the organisation?

### **1.5 Description of research tasks**

1. A comprehensive literature review of the areas of organisational leadership, learning within organisations and culture was conducted.
  2. Senior Executives within the retail banking sector in South Africa were approached in order to determine their willingness and availability to take part in the research. The reasons for choosing the banking sector as the focus of the research is explained fully in chapter six.
  3. A pilot interview was conducted with a banking executive. In addition, 2
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questionnaires were piloted by sending them to 40 of the executive's subordinates. Two questionnaire instruments were utilised. These questionnaires related to the concepts of transformational and transactional leadership and to organisational learning. Bass's Multifactor Leadership Questionnaire addressed the former area and Transform's 11 factor Learning Company questionnaire addressed the latter.

4. In depth interviews were conducted with 10 senior executives in the four largest banks in South Africa.
  5. Each executive completed a self-rating questionnaire, providing a personal evaluation of his leadership.
  6. Both the Multifactor Leadership questionnaire and 11 Factor Learning organisation questionnaire were sent in self addressed envelopes to between 30 and 60 subordinates for each of the ten leaders. Of the 500 questionnaires sent to potential respondents, 280 completed questionnaires were received for the former and 264 for the latter. Completed questionnaires were returned directly to the researcher.
  7. The responses to the questionnaires were coded and then input into SPSS in order to enable statistical analysis and an assessment of the reliability and validity of the instruments.
  8. Interview transcripts were typed, coded and then input into a content analysis software package called Smartsurvey. This was in order to facilitate the handling and analysis of the data.
  9. A range of qualitative techniques were applied to the data in order to complete
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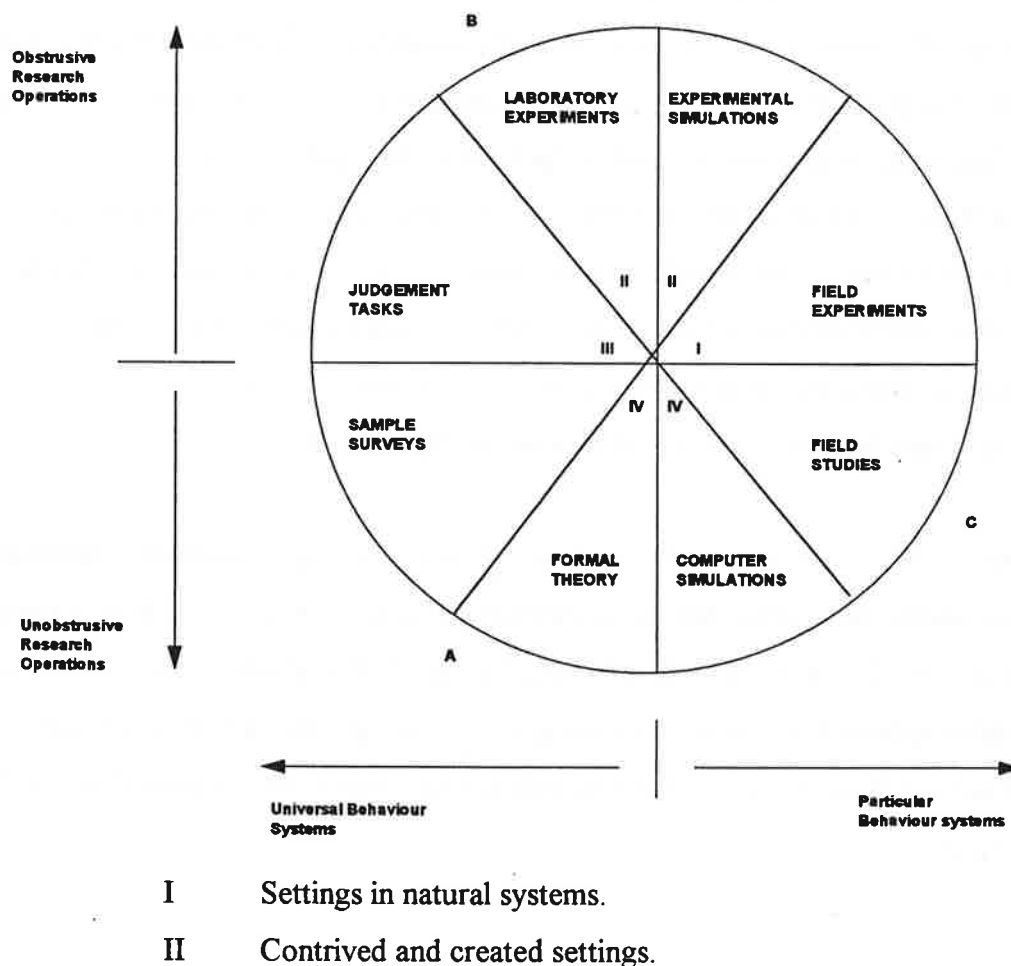


the analysis. These included memoing, factoring, checking plausibility, determining frequencies, noting relations between variables, identifying themes and creating themes for analysis.

10. Writing up the final thesis.

## 1.6 Key Assumptions and Limitations of the Research

Both the research tasks associated with the thesis and the key assumptions and limitations of the research are best viewed in conjunction with an assessment of how the research fits into the Runkel and McGrath (1972) “three horned dilemma” model.



- III Behaviour not setting dependent.
  - IV No observation of behaviour required.
  
  - A Point of maximum concern with generality over actors.
  - B Point of maximum concern with precision of measurement of behaviour.
  - C Point of maximum concern with system character of context.
- 

**Figure 1 The "Three Horned Dilemma" : Runkel & McGrath (1972)**

Utilising the Runkel and McGrath model, it would seem that the nature of the research undertaken for this thesis would best be described as a field study in that the research deals with behaviour in a "real context". This implies that while realism of context is at a maximum, precision of measurement and generalisability of findings to other populations are potential problems. Viewed from a traditional perspective, a limitation of the approach taken lies in the potential to generalise the findings to organisations falling outside of the sample frame. Certainly, the organisations sampled were representative of the banking industry, but were not necessarily representative of South African industry as a whole. The qualitative nature of some of the research however, led to sourcing in - depth information and insights about the nature of the sampled executives. This 'richness' is likely to have been sacrificed had the onus been on generalisability of findings.

Argyris (1993b) suggests the notion of not placing maximum importance to generalisability, but rather that the researcher's task is 'to find out'. He is supported by Hamblin (1974) in this view. In addition, Patton (1990) suggest that the real value of qualitative approaches is in understanding, rather than generalisability. He is supported by Cronbach (1975) in this view. The research methodology will be discussed in full detail in chapter six.

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The research methodology itself contains certain assumptions, as decisions were taken regarding the most appropriate means of gathering the relevant data. The data gathering instruments and techniques ultimately utilised represent a blend of qualitative and quantitative approaches. This decision was taken in order to ensure that the requisite 'richness' of data was obtained and also that an adequate number of responses were received for each leader in the sample e.g. it was assumed by the researcher that the interview process was the most appropriate means of surfacing leaders' perspectives on the environment and on their attempts to position their organisations to respond to the environments. It was felt that a mere review of an organisation's strategic documents would be insufficient as these would tend to reflect the views of a number of people (and not the individual in question). This type of document would be sensitive information with likely resistance to its dissemination for research purposes.

A key assumption of this research is that executives within the organisations surveyed have differing leadership approaches and styles and that the "Transformational" and "Transactional" classifications of such styles are useful as perspectives to analyse such styles. Bass and others' research discussed in detail in chapter two show this to be a justified assumption.

A further key assumption is that leaders can actually make a significant difference within their organisations. Leaders' actions and intentions within organisations may well be moderated by any number of different factors e.g. the financial health of the organisation, the leader's own superior's style and preferences and the organisation's stage in its lifecycle. Bass and Stodgill (1981:594) recognise that "leaders' discretionary and non-discretionary behaviour depends upon both organisational and environmental considerations....although the organisation and its culture influence what is expected of the leaders and what they will do, the leaders, in turn, shape their organisations and cultures to fit their needs".

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The importance of time as a moderator of leader actions and intentions has not received much attention in formal research. This may be due to the fact that time itself is required in order to conduct the necessary longitudinal studies. Kotter (1995) asserts that most successful change efforts initiated by leaders take a considerable period of time before being declared a success. This is often due to the inherent resistance in the basic/core assumptions constituting the essence of an organisation's culture (this is fully explored in chapter three). The view that leaders have a significant impact on the performance of the organisations they head has been questioned by "contextualists" who emphasise the constraints placed upon leaders by situational factors, Lieberman and O' Connor (1972) and Hall, (1977). As this research is not of a longitudinal design, the role of time as a moderator of leader intentions and actions cannot be explored.

Despite these assumptions and limitations, it is believed that this research has a contribution to make to an understanding of leaders' motives, behaviours and roles within organisations.

### **1.7 Structure of the Thesis**

- **Chapter 2** reviews relevant concepts of leadership in organisations. As with the previous chapters, the first section considers and reviews relevant literature. The second section examines specific research conducted into the concepts of transformational and transactional learning.
  - **Chapter 3** is divided into two sections. The first section is comprised of a review of relevant literature relating to the concept of organisational culture. In particular, the influence of corporate culture on members of that culture is explored. The second part of the chapter assesses the contribution of relevant research in this area to this study.
  - **Chapter 4** is also divided into two sections. The first reviews the relevant literature in the area of the learning organisation and organisational learning. The second section
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reviews research conducted into the areas of organisational innovation, adaptation and learning.

- **Chapter 5** is comprised of the research model. This model is a synthesis of key areas from the literature review. This chapter also presents the propositions to be examined in detail in the remainder of the thesis.
  - **Chapter 6** is a chapter on the research methodology and philosophical approach to the research. This chapter also details the manner in which the data were analysed. This chapter includes methodology for both qualitative and quantitative data.
  - **Chapter 7** provides full details on the results of the statistical and content analysis of the qualitative data. The chapter also provides full details on the results of the statistical analysis of the quantitative data gathered during the research process. The results are linked to the original propositions.
  - **Chapter 8** examines the findings of the research and discusses these in the light of the models used. In addition, the implications for managerial practise and research are discussed.
  - **Bibliography.**
  - **Annexures.**
-

## Chapter 2

### 2 The Role of Leadership

#### 2.1 Introduction.

This review of literature on leadership will focus primarily on the concepts of transformational and transactional leadership. The emergence of these concepts will be traced, different roles and characteristics will be discussed and models supporting the concepts will be introduced. The chapter concludes by exploring linkages between these concepts and that of organisational culture – the subject of chapter three.

#### 2.2 Background to leadership.

Tichy and Devanna (1986) suggest that transformational leaders possess the ability to get people to change their ways before it is too late. They believe that one of the most difficult tasks of the leader is to create a sense of urgency before there is an emergency. The leader's task is therefore one of combating complacency and groupthink. They use the analogy of the "boiled frog syndrome" and suggest that leaders must see the signs and detect the changes in the temperature before the organisation is (figuratively) boiled to death.

Quinn (1988) makes an important distinction between masters and novices. He describes how in any situation, the master is able to see things that a novice cannot or does not notice. Quinn states that "hidden beneath this surface manifestation of mastery is a capacity to continuously hold, test and experiment with opposing conceptualisations of reality". The

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ability to be open to cues would seem to be a prerequisite for successful leadership of organisations today.

Bass and Avolio (1990) state that "leaders influence the lens through which followers interpret events, thereby shifting the assumptions followers previously used to solve problems".

A key requirement of the leader then is the detection of subtle cues in the environment, the ability to accurately assess their possible impact on the organisation and then the management of perceptions and organisational culture in order to ensure that people throughout the organisation share the same sense of urgency.

Bass's continuing development of the concept of transactional and transformational leadership will form a key part of this chapter and of the thesis as a whole.

### **2.3 Definitions.**

There are a large number of definitions of leadership available. This may be partly due to the widely diverging views regarding the issue. The definitions stated below illustrate this point.

- Du Pree (1989), states that "the signs of outstanding leadership appear primarily amongst the followers - whether they are learning and reaching their potential".
  - Burns (1978) writes that "the fundamental process of leadership is to make conscious what lies unconscious among followers".
  - Kotter (1990) states that "leadership does not produce consistency, it produces movement".
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- Schein (1985a) stated that "the only important function of leadership is the creation and management of culture".
- Bennis (1989) writes that "learning equals leading and that the one true mission of all organisations must be the release and full use of the individual's potential".

Du Pree's and Bennis's definitions are appealing in that they imply a focus for the leader on learning and development of subordinates. Assuming that this learning and development is in the context of certain well crafted strategies, it is hard to imagine better definitions of leadership. These definitions of leadership do not refer in any way to the charismatic, god - like view that has often prevailed of leaders. Rather, leadership is seen as a more subtle process that has to do with influencing aspects of culture and with relating closely to those individuals who comprise the organisation.

Schein's view is somewhat extreme, yet the definition recognises the critical sway exerted by an organisation's culture and the fact that leaders need to be capable of controlling and changing the culture if they are to influence the people working within that culture.

For the purposes of this research, the writer defines leadership as "those actions required to ensure that all members of the organisation achieve their full potential through the creation and management of culture".

#### **2.4 Development of major theories.**

Although it is not intended to undertake a detailed review of the development of theory in the field of leadership, an overview of theoretical development in the area is provided by way of background to the analysis of the transformational perspective on leadership.

Leadership theories have developed in three distinct areas - trait, leadership style and contingency theories.

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**Trait Theory.** Proponents of this approach argue that leaders possess universal characteristics that enable them to lead others. Generally, the view is that leaders are born to lead others. Leadership is therefore viewed in terms of personality and character. The results of research for universal character attributes of leaders have been poor. Stodgill (1963) found weak correlations between leadership and a variety of personality attributes. The inability of researchers to determine universal character traits of leaders has led to the demise of this early theory of leadership.

**Styles of Leadership.** Rather than focusing upon personality traits, this perspective examines how leaders act and behave when carrying out their roles. Research has typically focused upon authoritarian versus more democratic leaders and their relative effectiveness. A significant problem embodied in this leadership perspective is the difficulty in determining cause and effect. In other words, does the behaviour of subordinates change the leader's behaviour or vice versa? Hersey and Blanchard (1977) emphasised the relative maturity of subordinates in determining the relevance and effectiveness of leader behaviour. Some consensus seemed to emerge that, rather than one leadership style being most effective, the personalities and expectations of both leader and followers, the task and situation all interact to determine the relevant style.

Leadership research in the area of leadership style has tended to focus on leadership behaviours related to initiating structure and consideration for others. Fleishman (1973) suggested that consideration describes the extent to which a leader exhibits concern for the welfare of other members of the group. Initiation of structure is the extent to which the leader initiates activity, organises it and defines the way work is to be done. Hemphill (1960) and Stodgill (1963) both proposed that these factors needed to be expanded in order to more fully describe what leaders do. However, the two factors of initiating structure and consideration have dominated research due to their perceived ability to provide behavioural operationalisation for autocratic and democratic, participative and task oriented leadership behaviours.

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**Contingency theory.** The need to accurately determine the circumstances under which a leadership behaviour is most effective led to the development of the contingency approach. Fiedler (1971) identified three factors influencing leader effectiveness:

1. The nature of the personal relationships between the leader and followers.
2. The degree and nature of power possessed by the leader.
3. The degree and precision with which the required tasks are defined.

Fiedler (1967) found that a structuring style was most effective when favourable conditions existed - these favourable conditions being good leader/follower relationships, high leader power and well defined tasks. He discovered that ambiguous tasks were best achieved by the use of a supportive style by the leader.

Vroom and Yetton's (1973) decision tree model suggests that the leader objectively evaluates the needs of a particular situation and makes a corresponding judgement as to what the situation requires. This perspective stresses objective decision making as opposed to subjective individual styles of management. Vroom and Yetton's model implies a high degree of situational adaptability on the part of the leader.

The early Transactional approach, an extension of the contingency theory, recognised that a dynamic relationship exists between followers and leader. The followers evaluate the leader in the context of their situational demands. This transactional perspective recognised the interactive nature of the leader - follower relationship and was to spawn the emergence of the transactional and transformational leadership theory.

Prior to the current focus on transformational leadership, most of the leadership research had centred on autocratic versus democratic approaches, task orientation versus participation and leaders' behaviour in the setting being researched.

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## **2.5 Transformational and transactional leadership.**

### **2.5.1 Background to the concepts.**

Much of the current literature on leadership and change focuses on the concepts of transactional and transformational leadership. Transformational leadership was first distinguished from transactional by Downton (1973) to account for differences between revolutionary, rebel, reform and ordinary leaders. The concepts did not however, receive serious attention until Burns (1978) published his work on political leadership. Burns noted that only some leadership is due to a transaction based upon promises of some type of reward to followers should they comply with the leader's suggestions and wishes. Transformational leadership was regarded as a leader's ability to broaden and raise the interests of followers and to generate an acceptance and awareness of the mission of the organisation among the followers. Subsequent to Burn's work, Bass and a number of colleagues have progressed the thinking and research in this area.

Bass and Avolio (1990) suggest that the constructs of transformational and transactional leadership enable a new perspective for understanding the effects of leadership on individual, team and organisational development". It could be argued that these constructs are a logical extension of the debate as to the differences between leadership and management. There is no doubt though that Bass and his colleagues' work has contributed significantly to what has hitherto been a sterile debate.

Bass (1985a) revised previous research into management behaviours and found 2 factors to be present in many findings. Firstly, what he terms "initiating and organising work". According to Bass, this factor relates to behaviours aimed at accomplishing the tasks at hand. The second factor he termed "consideration for employees". These behaviours focus on satisfying the interests of those employees who do good work. At the heart of the superior - subordinate relationship is the knowledge that the subordinate is rewarded or punished for aspects of their performance. Although these are, to an extent, an extension

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of the initiating structure and consideration for others identified by Fleishman (1973), Bass emphasises the conditional nature of these dimensions of leadership. This kind of leadership/management based upon contingent rewards and management by exception is termed "transactional" leadership by Bass. He believes however, that this approach often leads to mediocrity.

Bass describes the relationship that a transactional leader has with subordinates as follows:-

- The transactional leader knows what subordinates want to obtain from their work and ensures that the subordinates get this if their work performance justifies it.
- The transactional leader exchanges rewards or promises of rewards for subordinates' efforts.
- The transactional leader is responsive to subordinates' immediate self interests if these can be met by the subordinates getting their work done.

According to Bass, the transactional leader is most comfortable functioning within a stable environment and would generally not seek to change the culture within which he/she works to any degree. This kind of leadership style is normally concerned with current needs of followers and control of complexity. In Bass's opinion, transactional leadership is an exchange process between leader and follower. At best, the result of such leadership is what Bass terms "first - order change", or changes of degree. Bass believes that managers who are primarily concerned with profit maximising with its emphasis on self - interest are more suitable for transactional leadership. Bass and Avolio (1990) suggest that transactional leaders focus significantly upon clarifying the role and task requirements of subordinates.

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Bass (1985a) identified a second approach to leadership that facilitates second - order changes or more significant changes. He termed this second approach "transformational" leadership. In his opinion this occurs when "leaders broaden and elevate the interests of their employees and when employees are motivated to look beyond their own self - interest for the good of the group".

According to Bass and Avolio (1990), transformational leaders engage the 'full' person with the purpose of developing followers into leaders. Transformational leaders tend to arouse needs that have been dormant or unrealised. Transformational leaders are able to encourage followers to develop and perform at levels above what the followers may have thought possible. They find ways of building followers' confidence and develop their competence, enabling them to handle more complex tasks and challenges.

Bass (1985a) suggested that transformational leadership builds on and "augments" transactional leadership (although not vice versa) in contributing to subordinate effort, satisfaction and effectiveness. Seltzer and Bass (1990:695) define augmentation as the fact that "transformational leadership builds on and augments transactional leadership. That is, transformational leadership could produce high levels of subordinate performance and effort that went beyond what would occur with a transactional approach." Waldman and Bass (1985a) found support for the augmentation hypothesis by finding that transformational leadership added to the impact on followers of transactional leaders, rather than replacing it. This implies that leaders may be required to utilise both approaches at times in order to achieve maximum impact.

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### **2.5.2 Characteristics and processes of transformational and transactional leaders.**

Bass (1990a) suggests that transactional leaders utilise the following processes in order to achieve results:

- **Contingent reward** - the process whereby the leader contracts an exchange of reward for efforts and recognises good performance.
- **Management by exception (active)** - the process whereby the leader watches for and detects deviations from rules and standards and takes corrective action.
- **Management by exception (passive)** - a tendency by the leader only to intervene only when standards are not met.

According to Bass (1990a), transformational leaders achieve exceptional results through 4 characteristics:-

- **Charisma** - the ability to inspire and excite employees through enthusiasm and the ability to articulate a vision. According to Bass, charismatic leadership is most required in a situation that requires a break with tradition. He regards the ability of a leader to identify a theme and to consistently reinforce this theme as evidence of charismatic behaviour. Bass believes that the charismatic leader is able to reduce resistance to change within the organisation due to peoples' positive emotional response toward the leader.
  - **Intellectual stimulation** - showing employees new perspectives for dealing with problems and viewing the world. Bass regards this as the ability to stimulate followers' awareness of problems and of problem solving and of thought and imagination. It is possible that this dimension of transformational leadership is closely linked with the
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ability for members of a culture to question the assumptions of that culture. It may be that the ability to provide intellectual stimulation to subordinates is more required or relevant when the organisation is functioning within a highly complex environment.

- **Individual consideration** - leaders pay close attention to the individual needs of all employees and are able to empathise with all employees as individuals. The transformational leader has a developmental approach towards his/her subordinates. This implies that the transformational leader is interested in individual learning and the factors that effect this within organisations.
- **Inspiration** - communicating high expectations, using symbols to focus efforts and expressing important aims and purposes in simple ways

Recently, a fifth characteristic, **idealised influence** has been added to this list. This characteristic refers to the leader's ability to build a culture of trust and respect among followers. Bass suggests that attempts to change the organisation's mission and practises are likely to be met with extreme resistance unless the leader is able to ensure that his/her intentions are trusted.

It is interesting to note that Bass does not identify generic characteristics for transactional leaders. Rather, he focuses upon processes utilised by such leaders. The list of characteristics suggested by Bass for transformational leaders would seem to be a combination of personal attributes and processes used.

Kuhnert (1994) described transformational leaders as "self defining", whereas transactional leaders are more attuned to the rules and their application. Transformational leaders are more internally directed, whereas transactional leaders are more externally directed (Howell and Avolio, 1993). These findings would seem to support the proposition that transformational leaders are more proactive than are their transactional counterparts.

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### **2.5.3 Research relevant to the establishment of the concepts.**

The dimensions of transformational and transactional leadership are measured through the multifactor leadership questionnaire MLQ (Bass, 1985b). This instrument will be discussed in detail in the methodology chapter.

Waldman, Bass and Yammarino (1988), found that transformational leadership does not replace transactional leadership. Rather, transformational leadership was found to “augment” transactional leadership processes in achieving the goals of the leader, followers and the organisation as a whole. Avolio (1989) found that certain leaders rated high on both the transactional and transformational dimensions. This suggests that the presence of transactional leadership behaviours does not necessarily inhibit a leader from behaving in a transformational manner or vice versa.

Podsakoff, Todor and Skov (1982) found that transactional leaders may be ineffective or abandoned because non-contingent reward sometimes works as well as contingent reward to ensure performance. In addition, transactional leadership may fail because the leader does not have the reputation to deliver the promised rewards. Transactional leadership has been found to be closely related to lower levels of performance or non-significant change in surveys of military and business organisations (Avolio and Bass, 1988, Murray 1988, and Onnen, 1987).

Howell and Avolio (1992) found that charismatic leaders who led utilising control and manipulation were seen as less effective and satisfying to work for than other types of transactional and transformational leaders.

A series of studies conducted in both military and business environments by Avolio and Bass (1988), Bass (1985a) and Hater and Bass (1988) found that transformational leaders achieved results in one or more of the following ways:

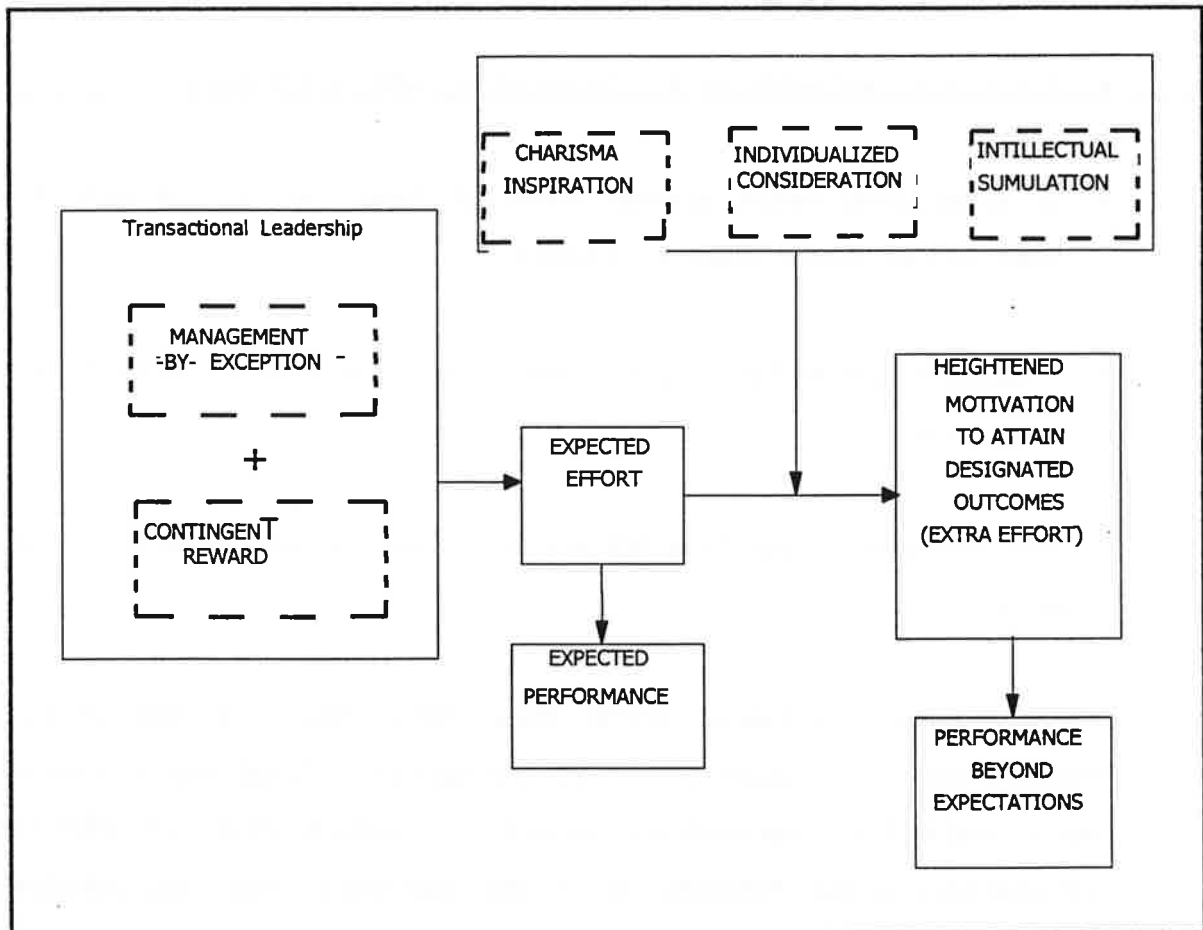
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- Transformational leaders became a source of inspiration to followers.
- Transformational leaders diagnose, meet and elevate the needs of each of their followers through individualised consideration.
- Transformational leaders stimulate their followers to view the world from new perspectives.
- Transformational leaders have followers who place trust in them to overcome any obstacle.

Avolio, Waldman and Einstein (1988), Bass (1985a), Hater and Bass (1988), and Waldman, Bass and Einstein (1987) and Deluga (1988) found that in contrast to transactional leaders, transformational leaders produce higher levels of effort, effectiveness and satisfaction in their followers through their charisma or inspiration, individualised consideration and intellectual stimulation.

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**Figure 2.1 INTERACTION OF TRANSACTIONAL & TRANSFORMATIONAL LEADERSHIP : BASS & AVOLIO (1990)**

The model summarises the key attributes of each leadership approach and illustrates the fact that transactional leaders attain expected results, whereas transformational leaders have the ability to achieve results over and above expectations. The model also attempts to explain the relationship between the two leadership approaches and the assertion that transformational leadership builds upon a transactional base.

#### **2.5.4 The impact of transformational and transactional leadership on learning, innovation, risk - taking and creativity.**

Senge (1990:9) writes that “leaders are responsible for building organisations where people are continually expanding their capabilities to expand their future - that is, leaders are responsible for learning”.

Theoretical developments in the area of leaders’ influence upon innovation have been weak as traditional leadership approaches tend to be more relevant to explanation and prediction of productivity outcomes than to innovation outcomes (Waldman and Bass, 1991).

De Geus (1988) suggests that members of senior management are the key players in the process of “institutionalised learning”. According to De Geus, this is the process whereby senior management “change their shared mental models of their company, market and competitors”. If one accepts De Geus’s perspective, this implies that the prevailing perspectives of leaders within organisations significantly influence the nature and extent of learning”.

Garvin (1993:78) states that “continuous improvement requires a commitment to learning and he further asserts that farsighted executives have begun to refocus their organisations around this need.

Kanter (1984:237) describes ‘corporate entrepreneurs’ as those persons in organisations who produce innovative achievements by “working in collaborative fashion, persuading much more than ordering, team building, seeking input from others, showing political sensitivity to the interests of others, and willingness to share rewards and recognition. The leader interacts and listens”. She also asserts that corporate entrepreneurs empower subordinates, involve them and provide them with latitude, although they do still set tough standards:

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Kanter suggests that in order to implement an innovation, people need extra power to “move the system off the course in which it was headed automatically”. Her perspective implies a recognition of the role of the corporate culture and prevailing perspectives in creating a course for the organisation that may be inappropriate. Her belief that “most people seek to be culturally appropriate, even those leading the pack” reinforces the dominant role of culture as an enabler of or barrier to innovation and learning.

Kanter identifies a number of factors detrimentally effecting innovation:

- The prevalence of restricting, vertical relationships.
- Poor lateral communication within organisations (she uses the term ‘departments as fortresses’).
- Lack of support and tools for innovation.
- Formal, restricted vehicles for change and innovation.

It is interesting that she does not identify a lack of appropriate leadership as an inhibitor of learning. The writer suggests however, that a transactional approach to leadership would be likely to be associated with the factors that Kanter identifies.

Drucker (1985) suggests that “entrepreneurial practises require focusing managerial vision on opportunity”. Drucker is not certain that leaders’ personalities and attitudes by themselves create an entrepreneurial business. He suggests that the necessary policies and practises are required. Drucker recommends that these policies and practises are required in three areas:

- The organisation must be made receptive to innovation and willing to perceive change as an opportunity, as opposed to a threat.
  - Systematic measurement of the company’s performance as an innovator is required.
  - Entrepreneurial management requires specific practises pertaining to structure, staffing, incentives and compensation.
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He does not provide any detail on how these are to be achieved. The writer believes that Drucker implies that strong leadership brings these practises and procedures into fruition. What is useful, however, is his assertion that leadership is not enough. These leaders need to create supporting processes within the organisation. Pettigrew (1990) asserts that the "art of leadership...would seem to lie in the ability to shape the process in the long term rather than direct it through a single episode". Jones (1995:114) cautions however, that for those organisations attempting to stimulate creativity and flexibility, an emphasis upon "transferability of skills and measurable competencies may not be the most appropriate format for employee development". According to Jones, who cites Kanter (1985, 1989), for those organisations operating at the leading edge of competence, 'hard evaluation' of learning may be meaningless because employees are engaged with the unknown. Leaders therefore need to reinforce attempts to stimulate learning and creativity through judicious and appropriate reinforcement systems and processes.

Bass (1985a: 24) states that transactional leaders tend to accept and transformational leaders to change cultures. In his opinion, this includes "who rules and by what means ; the work - group norms ; as well as ultimate beliefs about religion, ideology, morality, ethics, space, time and human nature". He also states that "the transactional leader accepts and uses the rituals, stories and role models belonging to the organisational culture to communicate its values, whereas the transformational leader invents, introduces and advances the cultural forms. The transformational leader changes the warp and weft of social reality". Bass believes that apart from manipulating and changing expressions of the culture, the transformational leader seeks to change both individual and collective cognitive maps of how things should be done.

In this context, the transformational leader's ability to intellectually stimulate subordinates would seem to be crucial. The process whereby leaders go about altering prevailing mental models is certainly worthy of exploration and this would appear to be vital in both stimulating learning and managing change.

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Bass and Avolio (1990) point to a number of shortcomings associated with transactional leadership. They refer to ineffective appraisal systems with which to evaluate subordinates' performance. They also suggest that leaders often have inadequate time to personally observe the work and actions of their subordinates. In addition they point out that transactional leaders may lack the reputation to deliver the appropriate rewards, placing doubts upon the efficacy of positive reinforcement.

Bass and Avolio (1990:240) suggest the following summary of the implications of the concepts.. "As a basis for long-term development and significant individual and organisational change, a purely transactional approach will fall short because of the resource constraints most leaders operate under. However, leaders of more effective organisational systems will use contingent reinforcement in order to accomplish lower order objectives - those objectives that are the result of achieving expected performance. To accomplish higher order objectives, the type of objectives associated with highly successful and adaptable organisational systems, transformational leadership styles are required".

According to Bass and Avolio (1990), transformational leaders encourage followers both to develop and to perform at levels beyond the followers' expectations. There would seem to be an intuitive link between this and the amount of organisational learning taking place within an organisation. Through the process of intellectual stimulation, transformational leaders help subordinates to think about old problems in new ways. Subordinates are encouraged to question their own beliefs and assumptions and how these may support or inhibit the solving of business problems (the influence of assumptions on peoples' frames of reference will be explored in more detail in the next chapter). Senge (1990:12) states that "the role of the leader as teacher starts with bringing to the surface people's mental models of important issues..... one reason that mental models are so deeply entrenched is that they are largely tacit".

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According to Bass and Avolio (1993), transformational leaders facilitate and teach followers. They foster a culture of creative change and growth, rather than one that maintains the status quo and take personal responsibility for the development of followers.

In addition, Avolio and Bass (1995), suggest that individualised consideration on the part of the transformational leader attempts to maximise subordinate development, which in turn may/may not affect performance. It is likely though that more highly developed subordinates will perform better all things being equal than will less developed subordinates.

Charismatic leadership has been linked conceptually to higher levels of innovation and risk taking within organisations (House:1977; Conger and Kanungo:1987). Conger and Kanungo posit that charismatic leaders engage subordinates in innovative behaviours that are often contrary to the established norms of the organisation. Transformational leaders can thus help followers to engage new and creative strategies. Oberg (1972), identifies the "change agent" function of the charismatic leader in organisations whereby the leader brings about significant changes by espousing beliefs and values that differ significantly from those already in existence.

Transformational leaders also use intellectual stimulation to encourage followers to develop new ideas, to think for themselves and to develop questioning attitudes. A leader who is able to intellectually stimulate followers can cause them to be more aware of their own thoughts and imagination and to comprehend and analyse problems more readily. Followers are encouraged to consider riskier ventures and to aim to achieve more challenging goals (Howell and Avolio, 1989).

Research by Howell and Avolio (1993), confirmed the relationship between transformational leadership and levels of innovation, risk-taking and creativity. They reported that in comparison to the predictive accuracy of transactional leadership scores,

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transformational leadership scores substantially increased the accuracy of predicting organisation culture characteristics such as innovation, risk taking and creativity.

Tichy and Devanna (1986) suggest that "transformational leaders bring about change, innovation and entrepreneurship".

Bass and Avolio (1990) distilled five general lessons from their research in a number of benchmark companies:

- Successful changes are initiated by transformational top level managers.
- Changes were supported by broad programmes that integrated skills training, cultural restructuring, and compensation contingent upon the desired changes.
- Many of the traditional assumptions upon which the organisations operated came into question.
- Transformation was not accomplished quickly.
- The effective use and development of the companies' human resources was seen as critical to accomplishing the changes.

Pettigrew cautions, however, that the immediate problems and issues faced by a new leader are created by the situation inherited by the leader. He found that the range of opportunities to manoeuvre when a new leader decides what to change and how to do so are restricted by the context within and outside the firm. Whipp and Pettigrew (1990:8) write "...nor should one forget that leading change is not a one way relationship emanating solely from the leader. Leaders are themselves effected by the forces which they seek to manage". The influence of the context within which leaders function has largely been

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ignored by Bass and other proponents of the transformational and transactional leadership schools.

## **2.6 The Burke - Litwin model.**

The Burke-Litwin model, (Botterill:1990), is an attempt to represent the complex forces influencing organisations. In particular, the model attempts to specify the relationships between various organisational variables and to distinguish transformational and transactional dynamics in organisational behaviour and change. The systemic nature of the model suggests that employees are affected by the entire business system. Burke and Litwin advocate a balance of the 2 approaches to leadership in organisations. Transformational change is regarded as a major reassessment of the entire organisational system caused by encountering forces which require new behaviours on the part of members of the organisation and therefore a change in organisational culture. Transactional change, on the other hand, can often be speedily effected. Management practises, systems and structure are all aspects of the organisational system that transactional leaders tend to focus upon. These 3 areas tend to have an immediate effect upon the climate of the workplace. This may suggest then, that transformational leaders are more able to change the culture of an organisation, whereas transactional leaders tend to influence the climate of the organisation.

Given the understanding established of the concepts of transformational and transactional leadership, it is likely that transformational leaders will tend to concentrate upon variables such as the company's mission and strategy, the organisation culture, individual needs and the external environment. Transactional leaders on the other hand, will tend to devote time and effort to variables such as structure, management practises, policies and procedures and task requirements. The model also suggests that both roles are required in order for sufficient attention to be paid to all of the key components of the organisation.

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The more volatile an organisation's environment however, the greater the need would be transformational leadership. The model also demonstrates that organisational culture is influenced by a number of factors including leadership, influence of the wider environment, individual needs and values, mission and vision and climate.

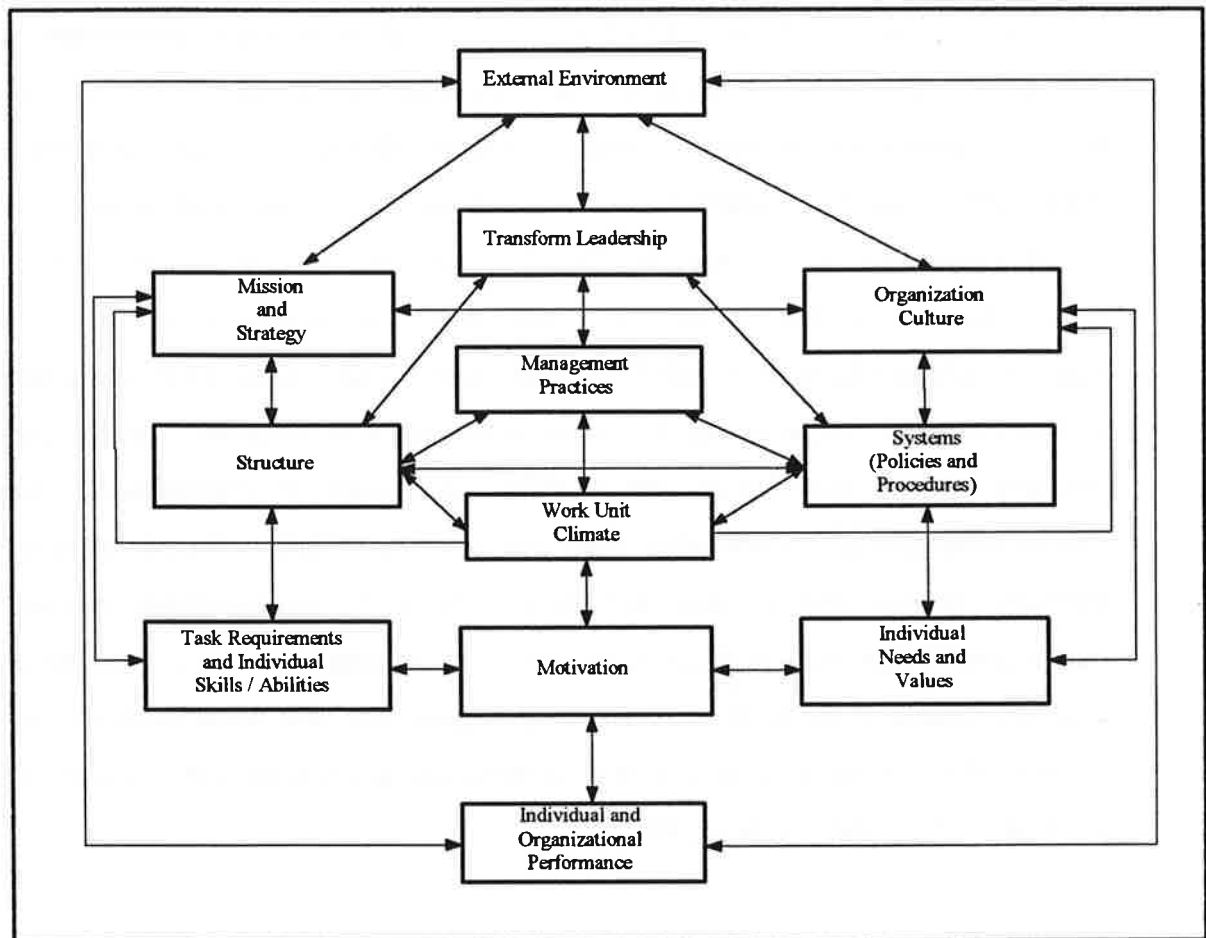


FIGURE 2.2 BURKE LITWIN MODEL :BOTTERILL (1990)

## 2.7 Tichy et al's model.

Tichy and Ulrich (1983) believe that change is often triggered by an event. Even though the event is perceived by the leaders of an organisation, this is not sufficient to ensure that change occurs. The leaders of the organisation must be aware of the trigger event and experience dissatisfaction with the status quo. Tichy and Ulrich believe that as the felt need for change releases energy, so defensive forces come into play. They identify 3 forms of cultural resistance:-

- Cultural filters - these determine what members believe is important and possible.
- Security based on past success or experiences.
- Thirdly, a lack of a climate for change. For example, cultures which value conformity will lack receptivity to change.

Tichy and Ulrich (1983) postulated that in order for organisation revitalisation to be successful, it would have to overcome individual and organisational resistance to change in 3 areas:-

- Technical systems. This refers to those systems that co-ordinate technology, capital and information in order to produce the necessary products/services.
- Political systems. Those systems that deal with the allocation and management of rewards, status and power and perceived equity and justice.
- Cultural systems. They regard this as the set of shared values which guide the behaviour of members of the organisation.

Tichy and Ulrich suggest that it is in the changing of the political and cultural systems that transactional and transformational leadership is most clearly distinguished. They believe that transformational leaders require a deeper understanding of organisations and their place in the wider society and in the lives of their individual members if they are to

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succeed. They assert that one of the most difficult transformational tasks is to create a sense of urgency to change before there is an emergency. They believe that leadership is about having the courage to see the truth and then to tell the truth. They also suggest that the transformational leader's task is to align the organisation with its external environment by adjusting the organisation's technical, political and cultural systems in the appropriate manner. They regard the leader as a social architect responsible for designing capable organisations. In this respect, there would appear to be a link with the Burke - Litwin model discussed earlier, as it could be argued that the components of the Burke - Litwin model could be viewed as either technical, political or cultural.

## **2.8 Nadler and Tushman's model.**

Nadler and Tushman (1990) assert that organisations need to change both during periods of incremental and revolutionary change. They propose two continua along which organisation change occurs:-

**Strategic and incremental change.** Nadler and Tushman regard incremental change as the changes which occur within the framework of the current strategy and values. Strategic change, on the other hand, has an impact on the entire organisation and involves a fundamental re-examination of the organisation's basic premises and values.

**Reactive and anticipatory change.** Most organisational changes are made in response to a particular event or trend in the organisation's competitive environment. These changes are reactive. Anticipatory, or proactive change is initiated by the organisation's leadership in the belief that such changes will yield competitive advantage in time to come.

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**Types of Organisational Changes**

	<b>Incremental</b>	<b>Strategic</b>
<b>Anticipatory</b>	Tuning	Re-orientation
<b>Reactive</b>	Adaptation	Re-creation

**FIGURE 2.3 TYPES OF ORGANISATIONAL CHANGES : NADLER & TUSHMAN (1990) 1**

Nadler and Tushman term incremental and anticipatory change as "tuning". This tends to take the form of adaptation of specific aspects of the organisation in anticipation of future events. Incremental and reactive change is termed "adaptation". Anticipatory and strategic change is termed "re-orientation". Strategic change required by the environment is called "re-creation". They believe that the high level of discontinuous change in many competitive environments is requiring much more strategic change.

Nadler and Tushman suggest that, of the 2 dimensions of strategic change, re-creations are riskier due to the fact that they tend to be initiated under crisis conditions and that they often involve changes in core values. They also assert that re-orientations are more often associated with success. Re - orientations in their opinion, are however, still risky and require visionary leadership and appropriate strategic bets. Koestenbaum (1991) defines the visionary leader as "always seeing the larger perspective, for visioning means to think big and new". Koestenbaum distinguishes between thinking big (vertical thinking) and thinking new (horizontal thinking).

Nadler and Tushman maintain that management processes and structures themselves are the focus of much strategic change and can therefore not be relied upon to manage

strategic change. This is why re-orientations are frequently driven by new leaders brought in from outside the organisation in question.

It is suggested that the characteristics possessed by transformational leaders will both drive and enable them to undertake anticipatory change. Similarly, transactional leaders who are more comfortable working with the present and are less concerned with broader environmental pressures for change are more likely to be found in situations of reactive change.

## **2.9 Nahavandi and Malekzadeh's Model.**

Nahavandi and Malekzadeh (1993) criticise the contingency approach to leadership which suggests that leaders have limited discretion in defining and changing the work environment. A common theme of much research in the area is that the leader's characteristics have to be matched to predetermined strategies. Gupta (1988) suggests though that "the leader is just as likely to precede strategies as the reverse". An important question to be asked therefore, is how the leader's style affects the choice of strategy. Nahavandi and Malekzadeh propose a model for studying the relationship between the leader and strategy. This framework proposes that the leader can be both a moderator and a main effect in strategy choice and performance. According to the model, leadership style is in turn, moderated by factors such as organisation size, the degree of uncertainty, stage of organisational growth and the presence and power of the top management team.

Nahavandi and Malekzadeh propose 2 dimensions of strategic leadership:-

- The degree of challenge seeking or risk taking.
  - The degree of control a leader desires over internal functioning of the organisation.
-

These dimensions are reflected in the following figure. Type one and two leaders seek challenges and tend to be entrepreneurial. However, type one's desire for control will lead them to require conformity, whereas type two leaders will tend to tolerate (if not encourage) dissent and diversity of approaches to work situations. Type three and four leaders tend to focus on maintaining the status quo. Type two leaders would seem to fit best with Bass's concept of transformational leadership, whereas the other three would, to varying degrees, be more closely associated with transactional leadership.

<b>High challenge- seeking</b>	<b><u>Type I</u></b> Challenge-seeking leader who does not delegate and maintains control over all implementation	<b><u>Type II</u></b> Challenge-seeking leader who delegates the process of implementation
<b>Low challenge- seeking</b>	<b><u>Type III</u></b> Challenge-averse leader who does not delegate and maintains control over implementation	<b><u>Type IV</u></b> Challenge-averse leader who delegates the process of implementation
	<b>High control</b>	<b>Low control</b>

**FIGURE 2.4 INTEGRATIVE FRAMEWORK OF LEADER STYLE :  
NAHAVANDI & MALEKZADEH (1993)**

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This model is useful in that it suggests 2 characteristics or factors that influence leadership effectiveness. The model also illustrates how different factors are required by different organisational circumstances. In a fairly stable business environment, it may be appropriate to have a leader who does not seek challenge. Leaders with a tendency to desire high control and thus conformity, may inhibit learning within their organisations. This leadership approach would seem to be more closely related to transactional rather than transformational leadership. It is likely that dissent and diversity of opinion is required in order for effective learning to take place.

Nahavandi and Malekzadeh do need to clarify their perspective of the need for control. There is an important distinction between having a need for control and realising the importance of firmly controlling the implementation of chosen strategy in order to ensure its effective implementation. An important distinction is required between strong leadership and the need to control implementation of strategy. They found that leaders have less impact in large organisations, because of decentralised structures and decision making. They also suggest that high environmental uncertainty may reduce the power of the leader. This finding should be challenged as conditions of uncertainty often lead to the requirement for stronger leadership. They also found that the leader's style will be reflected more in the strategies of those companies in the birth or revival stages than those in the mature phase.

### **2.10 Brown's model.**

Brown (1994) examined the way in which transformational leaders bring about change through the use and manipulation of social rites and rituals. In his opinion, the transformational leader operates by focusing on the psychology and behaviour of subordinates and colleagues. Brown uses Lewin's (1947) model of change as his starting point.

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- **Unfreezing.** This usually begins when someone perceives a need to change, often in response to a failure or crisis. Brown proposes that the leader may use rites of "questioning and destruction" and rites of "rationalisation and legitimisation" in order to expedite the unfreezing stage.
- **Change.** It is in this stage that the actual change occurs. Brown's research indicates that successful leaders engage in further measures such as "rites of degradation and conflict" and "rites of passage and enhancement" as a way of undermining the status quo and overcoming resistance to change. In this context Brown regards the role of the transformational leader as "enabling people to make the necessary cognitive shifts as easily as practical".
- **Refreezing.** During this phase, individuals seek to bring an end to the uncertainty and instability surrounding them. In order to promote this refreezing the leader may use rites of "integration and conflict reduction".

It would seem likely that those leaders able to manipulate meaning through the use of, amongst others, rites, symbols and metaphor will be more adept at bringing about successful organisational change.

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## 2.11 Conclusion

### 2.11.1 Summary table of key concepts and authors.

Author	Journal/Book	Concept
Avolio, B Waldman, D and Einstein, W.	Group and Organisational Studies, 1988 (journal).	Transformational leaders produce higher levels of performance among subordinates.
Bass, B	1) Leadership and performance beyond expectations, 1985. (book) 2) Organisational Dynamics, 1990 (Journal).	Identification of the transactional and transformational leader roles.  Techniques used by transformational and transactional leaders in order to achieve results.
Bass, B and Avolio, B	1) Research in Organisational Change and Development , 1990 (Journal). 2) PAQ, 1993 (journal)	Extension of transformational and transactional leadership concepts.  Transformational leaders teach followers.
Brown, A	Journal of General Management, 1994, (journal).	Achieving change through the leader's manipulation of social rites and rituals.
Conger, J and Kanungo, R.	Academy of Management Review, 1987, (journal).	Linking charismatic leadership to learning.
De Geuss, A	Harvard Business Review, 1988, (journal).	Manner in which leaders' perspectives influence learning.
Howell, J and	Journal of Applied Psychology,	Relationship between transformational

Avolio, B	1993, (journal).	leadership and levels of innovation.
Kanter, R	The Change Masters: Corporate Entrepreneurs at work, 1984, (book).	The manner in which 'corporate entrepreneurs' work.
Nadler, D and Tushman, D	California Management Review, 1990, (journal).	Typology of organisational change.
Nahavandi, A and Malekzadeh, A	Leadership Performance-an integrative framework, 1993, (book).	Examination of the relationship between leaders and strategy.
Schein, E	Organisation culture and leadership, 1985 (book).	Chosen definition for this thesis. The definition focusses on the leader's role in the creation and management of culture.
Tichy N and Ulrich D	Revitalising Organisations: The Leadership Role, 1983, (book).	Transformational and transactional leaders ability to influence the political, technical and cultural systems within the organisation.
Waldman, D Bass, B and Yammarino, F	Technical report, Naval Research, 1988.	Augmentation effect of transformational leadership.
Whipp,R and Pettigrew, A.	Paper presented to the Cranfield Strategic Management Society, 1990 (paper).	Acknowledgement of culture's influence on leadership.

TABLE 2.1 SUMMARY TABLE OF RELEVANT RESEARCHERS &amp; AUTHORS

### **2.11.2 Chapter summary.**

The concepts of transformational and transactional leadership as discussed in this chapter are central to this thesis. Indeed, Bass and his colleagues through their research of the concepts have added significantly to the understanding of leadership. The characteristics of each type of leader as well as the benefits of each approach have been discussed. The concepts would seem not to be mutually exclusive, but rather, there is evidence that transformational abilities are built from a transactional base.

As opposed to the transactional leader, the transformational leader, by virtue of his/her ability to intellectually stimulate subordinates creates an environment where people know their strengths and limitations. By showing others different perspectives and approaches, subordinates learn and grow. An empathy with subordinates enables the leader to assess each individual's ultimate potential, thereby ensuring that although each subordinate is required to develop to the maximum of his/her ability, the leader's expectations take each individual's abilities into account. Stimulating individual learning often requires that the leader takes an initial risk in allowing a subordinate to take on new responsibilities and accountabilities. There would seem to be evidence that transformational leaders are able to stimulate and encourage learning and innovation in the organisations they lead.

Brown (1994:11) suggests that in order for an organisation to possess relatively more strategic options, "calls for a sophisticated understanding of organisational change processes. This is the job of the transformational leader, who, through the judicious use of dramatic rites, can encourage the re - learning necessary for radical change". He views these rites as planned, deliberate activities designed to promote change in individuals.

It would seem then, that successful leaders need to have the ability to analyse and influence the culture within which they lead. They, in turn, are likely to be influenced by

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the culture. The stronger the culture, and the more successful the organisation has been, the more difficult the leader's task of influencing the culture is likely to be.

### **2.11.3 The linkage to the next chapter (organisation culture).**

Kotter (1995) asserts that one of the greatest reasons for failed organisational transformation is that the leader fails to create enough sense of urgency. In addition he states that change efforts rarely last when basic systems within the culture are not changed to reinforce the new behaviours required

Bass and Avolio (1993:113) state that "there is a constant interplay between culture and leadership." As Bennis (1990) identified, cultural norms often develop due to the factors that leaders pay attention to or ignore, how the leader reacts to crises, the manner in which they model certain behaviours and values and the nature of reward systems that they put into place. Bass and Avolio (1993) suggest that founders of organisations often create an organisational culture from a preconceived "cultural scheme" in their heads. They go so far as to say (1993:114) that "the success or failure of an organisation depends on the relevance of the founder's philosophical beliefs to the current opportunities and constraints confronting the organisation". They suggest that exceptional leaders build into their cultures the need to question prevailing beliefs and assumptions and the need to change them whenever appropriate.

Hage and Dewar (1973) suggest that opinion leaders are only innovative if their organisation's norms favour change. They assert that leaders' values are therefore important in this context. Their perspective recognises the dynamic interplay between leadership and corporate culture.

Senge's (1990) emphasis upon the leader in his/her role as teacher being required to challenge prevailing mental models and assumptions would seem to support Bass and Avolio's perspective. Senge's focus was primarily upon challenging assumptions held by

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individuals within the organisation. The next chapter examines the nature of cultural assumptions in depth and although these assumptions are approached as attributes of culture, there would appear to be some link between assumptions held by individuals within a culture and the assumptions embedded within the culture itself.

Chorn's (1991) model (discussed in the next chapter) serves to enhance the analysis of the nature of leaders' influence upon organisation culture. Indeed, the review of leadership concepts in this chapter has provided further credence to Schein's (1985) definition of leadership, as stated in the definitions of leadership at the commencement of this chapter.

The chapter on organisation culture will explore the influence that culture has upon organisational learning and innovation. By extension, this relates to the influence that leaders can exert over the cultures of their organisations and therefore how they themselves are able to stimulate learning.

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## Chapter 3

### 3 Organisation Culture

#### 3.1 Introduction.

The topic of corporate culture first received significant attention from academics in the 1970's. The term "organisational cultures" entered the American literature in 1979 with an article in *Administrative Science Quarterly* by Pettigrew titled "On studying organisational cultures". This article was the first of many on the topic as the realisation grew that modern corporations are significant shapers of human behaviour. Previous research and interest in the topic of culture was grounded in an anthropological perspective. As will be seen, many of these anthropological concepts have been translated usefully into the newer study of human behaviour in corporate cultures. Pettigrew's contribution will be discussed further in the chapter.

Hofstede et al (1990:286) argue that although organisation culture has become a "fad", it has "acquired a status similar to structure, strategy and control". Although the concept has attracted so much attention, few rigorous conceptual models of organisation culture have been proposed. Despite the many different perspectives of culture, there is no doubt that organisational cultures can exert a significant influence upon the thoughts, actions and behaviour of members of business organisations. Kilman et al (1985) describe culture as "the social energy that drives or fails to drive the organisation". This perspective emphasises the positive and inhibiting role that culture can play in influencing human behaviour at work. Bass and Avolio (1993:114) state that "early in its development, an

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organisation culture is the glue that holds the organisation together as a source of identity and distinctive competence. Unfortunately in an organisation's decline, its culture can become a constraint on innovation since its roots are in the organisation's past glories".

Antal et al (1994:74), state that "the culture of an organisation appears to have a major

influence upon the ability of the organisation to learn. Cultures in which networking and questioning traditions are frowned upon do not allow the potential of internal actors to flourish". They also suggest that "well adapted" firms have created structures enabling them to recognise the need to re-orient themselves - even in times of success. This concept will be discussed further in the section on adaptive cultures.

Sapienza (1985:68) states that "organisation culture as shared beliefs can determine in large measure what managers see and therefore how they respond to their world. Harrison and Carroll (1991) state that organisations with persistently high cultural intensity have what are termed "strong" cultures. They assert that a strong organisational culture is a belief system that sustains the commitment of individual members to the organisation.

Sackmann (1992) differentiates collective from individual sense making in that the former are commonly held by a group of people in a given organisation , even though members of the same cultural group may not be aware in their daily activities of what they hold in common. This perspective emphasises the "taken for granted" characteristic of deeply held cultural assumptions.

If culture, and in particular basic assumptions, does exert such a powerful influence upon an organisation's ability to innovate and to learn, then it is suggested that a thorough review of this influencing process is essential in order to explore the interaction between culture's and organisational learning and adaptation.

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This chapter concludes by suggesting linkages between the aspects of corporate culture discussed and the concept of the learning organisation.

### **3.2 Culture defined.**

Hofstede (1990) states that although there is no consensus about organisational culture's definition, most authors would agree with the following characteristics of the culture construct:

- 1) It is holistic.
- 2) It is historically determined.
- 3) It is related to anthropological constructs.
- 4) It is socially constructed.
- 5) It is "soft".
- 6) It is difficult to change.

Payne (1991:26) defines culture as "the pattern of all those arrangements, material or behavioural, which have been adopted by a society (corporation, group, team) as the traditional ways of solving the problems of its members; culture includes all the institutionalised ways and the implicit cultural beliefs, norms, values and premises which underlie and govern behaviour". This definition is useful in that it emphasises the institutional nature of culture, the fact that culture significantly influences behaviour and that it has a functional component.

Hofstede (1991:4) defines culture as "the collective programming of the mind which distinguishes the members of one group or category of people from those of another". Hofstede's definition suggests that culture can exert a significant influence upon the mental dispositions of members of that culture.

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Baligh (1994) suggests that culture may be regarded as a set of rules that members use in choosing and taking actions.

"Culture is a system of socially transmitted behaviour patterns that serve to relate human communities to their ecological settings" (Allaire and Firsirotu, 1984:218-219). This perspective implies a functional component of culture.

Schein (1985b: 19) defines culture as "the total of the collective or shared learning of that unit as it develops its capacity to survive in the external environment and to manage its own internal affairs. Such solutions eventually come to be assumptions about the nature of reality, truth, time, space, human nature, human activity and human relationships- they come to be taken for granted and finally, drop out of awareness". This definition implies firstly, that culture is a mechanism for coping with the problems of an organisation's existence, whatever they may be. Secondly, that only those basic assumptions that are successful over time will come to be widely shared among the organisation's members. Thirdly, culture has both an internal and external function. Fourthly, culture exerts a significant influence over the thoughts and feelings of both current and new members of a culture.

An important contribution of this particular definition is the assertion that shared assumptions develop from historical actions and behaviours that have led to success. If Schein's view is accurate, this is an important point, as members of the organisation will be taught those actions and behaviours that worked in the past, but may be less relevant in the present and possibly be even less so in the future. This would seem to be a factor that could inhibit learning within organisations.

While the various definitions show some similarities i.e. that culture suggests/requires a certain way of thinking, that it has a functional component and influences individual and group thoughts and behaviours within social settings, Schein's definition will provide the basis for further discussion of the concept in this thesis.

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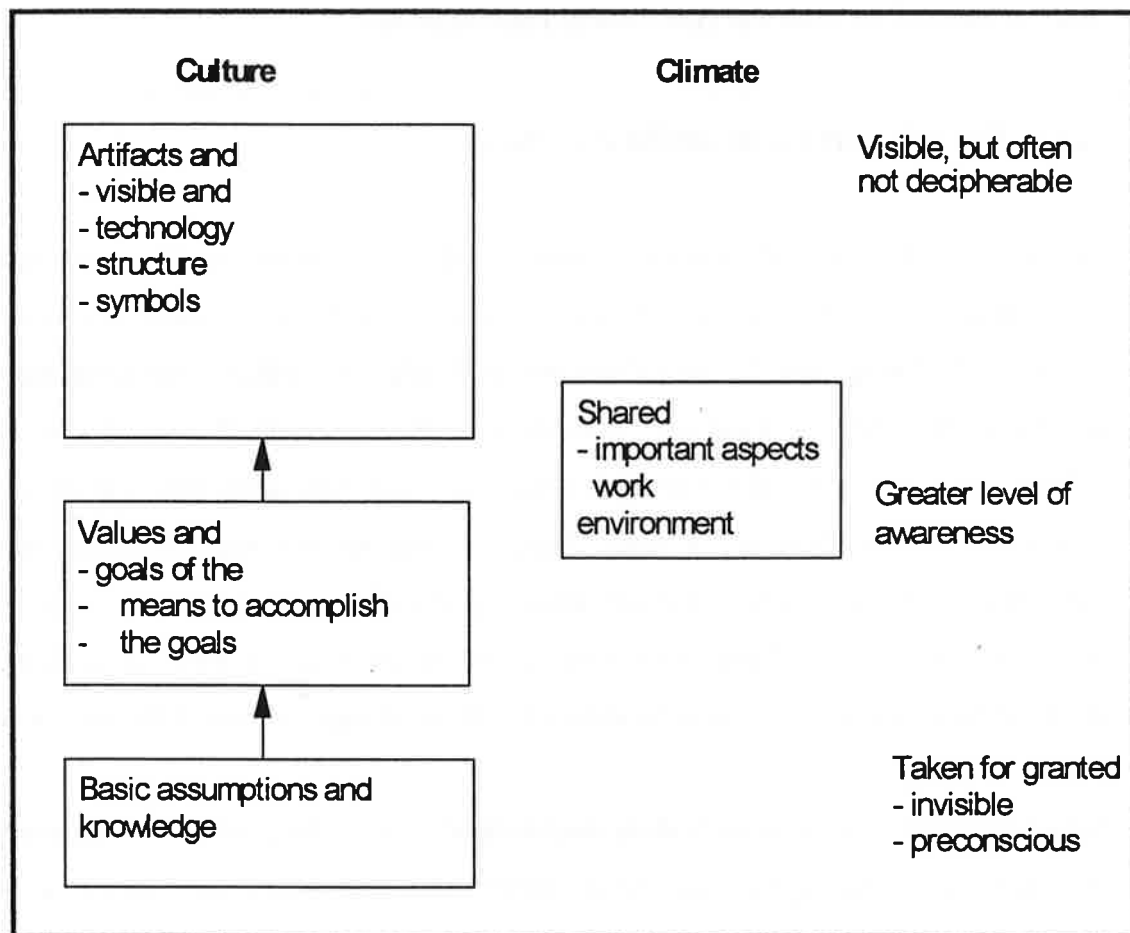
### **3.3 A review of relevant theoretical contributions.**

#### **3.3.1 Schein's three level model of culture**

Schein's (1985) three level model of culture provides an extremely useful contribution to an understanding of the concept and its interaction with and influence upon organisational learning. He distinguishes between the differing "levels" of a culture, describing the first and most visible level of a culture to an observer as the "artefact" level. According to Schein, these are all the phenomena that one hears and sees when encountering a new group e.g. how members of the group dress, the language they use, the architecture of buildings, visible ceremonies, and any other aspects of a culture that are immediately apparent to an outsider. These aspects of the culture are relatively easily observable, yet their meaning may not necessarily be apparent without an appreciation of the other levels.

Schein terms the second level "values and beliefs". These often reflect the "philosophy" or "ideology" of an organisation. Schein asserts that values represent what is an ideal desired state, whereas beliefs refer to what exists or "is". According to Schein, values develop through consensus over time. Once these assume a taken for granted status, they become accepted as beliefs. Schein does however point out that not all values will become accepted as beliefs. In this case the values will be shared only by some members of the organisation. This recognition raises the possibility of sub - cultures existing within an overarching culture.

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**FIGURE 3.1 SCHEIN'S THREE LEVEL MODEL OF CULTURE :SCHEIN (1993)**

The third level is termed "**basic assumptions**". These assumptions are not obvious to the outsider and may take some time for a member of the culture to understand. According to Schein, this level of culture is constructed of beliefs about reality and human nature that have extreme taken-for-granted status. As such they constitute a collective frame of reference for members of the culture and are rarely debated or confronted. This taken-for-granted aspect of level three implies that leaders and change agents understand and master this if they are to be successful in bringing about meaningful change in their organisations. Strongly held basic assumptions contain both their own strengths and weaknesses. Due to the fact that they are so pervasive and strongly held, they are difficult to change. If

however, they are appropriate to the challenges facing the group, they can play a valuable role.

The functionality of these core or basic assumptions is therefore crucial to an organisation's success. Although the nature of basic assumptions and a relevant taxonomy will be explored in further detail, it is worth noting that the ability of leaders and managers to accurately surface and recognise basic assumptions is crucial when one considers the practical application of Schein's model. While Schein's model does provide a clear framework for analysis of an organisation's culture, there are very few suggestions as to how the culture can be changed once it has been identified. Hatch's (1993) work discussed in the next section does address this deficiency to a significant extent.

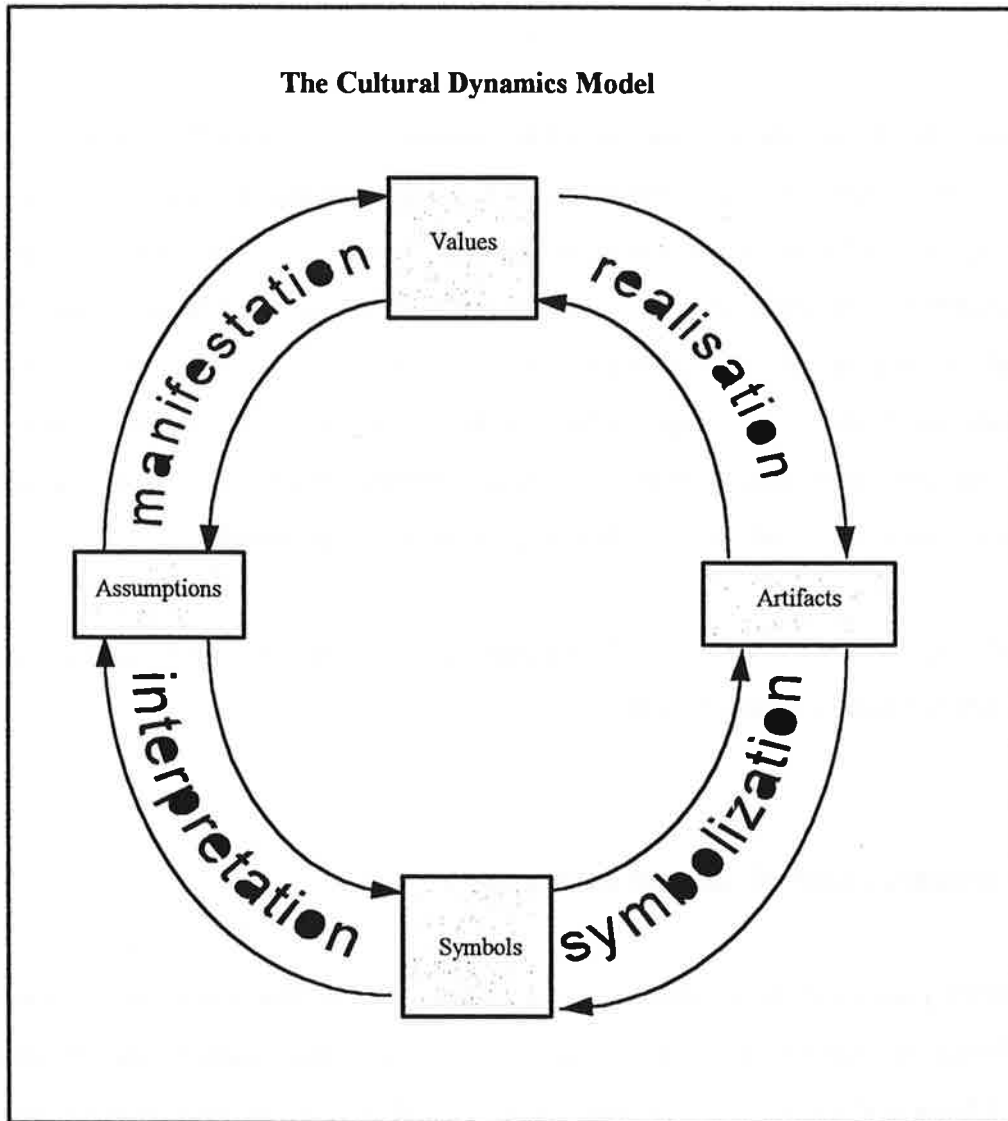
Hatch (1993) and Gibb - Dyer's (1985) models discussed in the following two sections further develop Schein's basic theory.

### **3.3.2 Hatch's model of cultural dynamics**

Hatch (1993) acknowledges Schein's model as being one of the few conceptual models ever offered of organisation culture, but criticises its "static" nature. She proposes a "cultural dynamics" model that examines the mutual influence of differing components of a culture. Her approach enables a deeper understanding of how the various aspects of a culture dynamically interact with and influence one another.

Hatch added a fourth dimension, termed "symbols" to the analysis of culture. Her research therefore examined the dynamic processes between organisational values, assumptions, artefacts and symbols. She identified four such processes and termed them manifestation, interpretation, realisation and symbolisation processes. According to Hatch, these processes occur continuously, regardless of whether the culture is in a stable or a changing state.

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**FIGURE 3.2 THE CULTURAL DYNAMICS MODEL : HATCH (1993)**

Hatch's model suggests that organisational culture is dynamic with all four elements of the model influencing the other three. Whereas Schein's model focuses upon what artefacts reveal about the deeper basic assumptions, Hatch probes how the artefacts, assumptions, values and symbols constitute a culture and how these elements are linked in a dynamic way. She terms this the "cultural dynamics perspective".

- **Manifestation Processes.** According to Hatch, manifestation permits cultural assumptions (the essence of culture according to Schein) to reveal themselves in the perceptions, cognitions and emotions of organisational members. The former process acknowledges that assumptions provide expectations that influence perceptions, thoughts and feelings about the world and the organisation. These are then experienced as reflecting the organisation. In organisations therefore, it is likely that multiple assumptions will engage in manifestation processes simultaneously and interactively in order to reveal values.

Weick (1987) claimed that order is evoked within chaotic situations by "presumptions of logic" that will be assumed to have structured and defined a situation from the outset i.e. order is imposed upon chaos and then discovered within it.

The retroactive mode of manifestation describes the contribution of values to assumptions. Assumptions are updated to align with values that are actively acknowledged within a culture. Once values emerge from basic assumptions, they have a retroactive effect of reaffirming the assumptions from which they emerged.

- **Realisation processes.** Barley (1986) used ethnographic observation to examine how everyday activity produced and reproduced the institutions in which it occurred. Proactive realisation is defined as the process wherein culturally influenced activity produces artefacts such that a given set of values receives some degree of representation in tangible forms. As Schein (1991:251) cautions though, "overt behaviour is also influenced by local circumstances and immediate events". Therefore activity and the artefacts an organisation leaves behind are infused with cultural values but do not unequivocally indicate them. According to Hatch cultural realisation is the process of making values real by transforming expectations into reality (proactive realisation) and by maintaining or altering existing values through the production of artefacts (retroactive realisation). Newly introduced artefacts then could realign values as the culture adjusts to their pressure e.g. the introduction of performance related
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bonuses and abolition of long service awards could realign values. Hatch asserts that realisation only follows manifestation when expectations and their associated values are translated into activities with tangible outcomes. Realisation processes then, are an obvious area for leaders to manipulate, as new artefacts, rites and rituals are relatively easy to introduce to the organisation.

- **Symbolisation processes.** Schein's followers regard symbols as part of a more comprehensive category of artefacts. Adopting a symbolic interpretive perspective, Cohen (1985) argues that the distinction comes from the fact that symbols "do more than merely stand for or represent something else they also allow those who employ them to supply part of their meaning". Ricoeur (1976) suggests comparing the full meaning of a symbol to its literal meaning and called the difference the "surplus of meaning". Symbolization therefore combines an artefact with meaning that reaches beyond it. Prospective symbolization requires the translation of artefacts into symbols if they are to be perceived as culturally significant objects or events. This process therefore enhances artefacts by symbols via associations in such a manner that includes surplus meaning as well as literal awareness. Retrospective symbolization occurs where artefacts embody symbols, the symbols having imbued the artefacts with "surplus meaning". Organisational folklore (Jones, 1991) has numerous examples of cultural artefacts used in ways that maintain values through retroactive realisation. Hatch regards organisational members as "symbol manipulators", creating as well as discovering meaning as they explore and produce a socially constructed reality to express their self images and to contextualise their activity and identity".
  - **Interpretation processes.** According to Wilson (1987), the hermeneutic perspective suggests that interpretation moves us back and forth between the already known (basic assumptions) and possibility of new understanding inherent in symbols. Schutz (1970) asserts that interpretation involves a move from the "already known" of a culture's
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basic assumptions to current symbols (retrospective interpretation). Schutz also asserts that interpretation establishes meaning. This implies that current symbols have a reciprocal influence on basic assumptions (prospective interpretation). Interpretation therefore makes it possible for culture to absorb newly symbolised content into its core.

Ford and Baucus (1987) argue that a primary responsibility of top management is the management of interpretations and meanings through symbols, metaphors and language. The prospective interpretation process is therefore one that astute leaders can manipulate in order to bring about changes in the core assumptions of the organisation if and when required. Hatch argues that the leader's influence depends significantly upon the way in which others symbolize and interpret his/her efforts and the effect these have on cultural assumptions and expectations. This implies that leaders should therefore be adept at the manipulation of meaning through the use of various symbolic actions and expressions. Leaders need though to consider the range of interpretation that may be applied by subordinates to any symbolic actions. If symbols contain the potential for new meaning and understanding, it is likely that they will influence learning tendencies within organisations.

If one accepts that fundamental cultural change comes about from changing basic assumptions, Hatch's model of cultural dynamics is useful in that it demonstrates how assumptions are open to change both from new values and through the process of interpretation of symbols. In addition, the model provides useful insights into possible leadership actions in order to influence organisational culture and supports Brown's model described in chapter two..

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### **3.3.3 Gibb - Dyer's taxonomy of cultural assumptions and related concepts.**

Gibb - Dyer (1985) proposes that 5 categories of cultural assumptions exist:

1. **The nature of relationships.** These assumptions refer to whether relationships in the organisation are regarded as lineal (hierarchical), collateral (team based) or individualistic.
2. **Human nature.** This category of assumptions refer to whether human beings at work are regarded as being either good, evil or neither.
3. **The nature of "truth".** This refers to the perception that correct or the best decisions are determined either through external authority figures or through personal investigation.
4. **The environment.** These assumptions refer to organisational man's relationship in and with the environment. In particular, these assumptions include beliefs as to man's mastery of, harmony with or subjugation to the environment.
5. **Universalism or particularism.** Whether all members of the organisation should be evaluated by the same standards or whether certain individuals or groups should be given preferential treatment.

Gibb - Dyer's typology is a useful contribution to Schein's conceptual 3 level model of culture in that the categories provide a framework for analysis of a culture's basic assumptions (Schein's level three) and the resulting inferences and implications for leadership action. It may be reasonable to conclude, for example, that an organisation based on hierarchic assumptions will be more resistant to change and also less likely to foster learning. The lack of communication and contact with customers in many such organisations often leads to an introspective approach to conducting business. In addition,

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it is likely that certain assumptions support learning within organisations. The assumptions pertaining to determining the truth personally would seem to be particularly germane in this context, as employees empowered to determine the truth for themselves are more likely to be exposed to learning situations than those employees who are told what is right and wrong. The role of basic assumptions would seem to be critical to attaining an understanding of the concept of organisational culture. Wilkins and Patterson (1985) argue that culture is most powerful when it is taken for granted because it has worked in the past.

Bass and Avolio (1993) assert that organisations' cultures are often the creation of their entrepreneurial founders and that the success or failure of an organisation depends upon the relevance of the founder's philosophical beliefs to the current opportunities and constraints facing an organisation.

Pettigrew (1986) argues that strategic change requires challenging and then changing the core beliefs of top decision makers in organisations. In the writer's opinion, there are a limited number of ways in which this challenging can be achieved. It may well be that the arrival of a new corporate leader provides the necessary challenge to prevailing beliefs.

Kilman (1985) suggests that the "ideal" culture possesses 3 assumptions:-

1. **Equity assumptions.** Members feel they can trust one another as their personal interests are regarded as congruent with corporate interests.
  2. **Competence assumptions.** Culture must clarify what participants can do together, better than anyone else.
  3. **Assumptions about adaptation and change.** Culture, if passed on as broad assumptions and values, rather than as rigid rules and practises allows for flexibility.
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Gordon (1991) suggests that organisations are founded upon industry - based assumptions about customers, competition and society. According to Gordon, these assumptions cause companies within an industry to have common elements to their culture. This perspective is intuitively appealing, but does little to explain how new entrants into an industry, who conduct business in revolutionary new ways are often so successful.

Sathe in Kilman et al (1986) believed that the content of a culture can be inferred from three factors:-

- The background of the founders and those who followed them.
- How the organisation responded to crises and other events and what was learned from these responses. This factor links directly to Schein's model.
- Who are considered deviant in the culture and how the organisation responds to them.

The first and last of these factors provide useful explanations, in addition to Schein's model, as to how culture can be inferred.

### **3.3.4 Hofstede's national values differences.**

Although much of the research on organisational culture has concentrated on issues internal to the organisation, the role of the broader environment and culture in forming

and influencing organisational cultures also needs to be explored. Hofstede has made a significant contribution in this regard. Hofstede (1980) identified 5 dimensions of value differences as part of national cultures. He termed these:-

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1. **Power distance** - this refers to the degree of inequality among people which the population of a country considers normal.
2. **Uncertainty avoidance** - The degree to which people in a particular country prefer structured over unstructured situations.
3. **Individualism/collectivism** - the tendency of people to act in groups or as individuals. A good example of this in a national context is Japan vs. the USA where the former would rate high on the collective dimension and the latter high on the individualism dimension.
4. **Masculinity/femininity** - behaviour according to gender.
5. **"Confucian dynamism"** or long-term orientation versus short-term orientation. Hofstede found values such as thrift, persistence and social obligations associated with a long-term orientation. It seems likely that a longer term perspective would encourage organisational learning, as learning often does not deliver improvements in the short term.

Hofstede concludes from his research that national culture resides mainly in deeply held values. In contrast, organisational cultures in his opinion, consist mainly of symbols, heroes and rituals recognised by and having meaning to members of an organisation, but not necessarily having meaning to outsiders. Hofstede (1994) suggests that the "collective programming" of the mind in a country affects all people including those at work. Therefore a country with a collectivist orientation is likely to have more organisation

cultures that stress group and team behaviours. In multi - cultural countries such as South Africa, management are faced with the increased complexity required to harmonise these cultures as opposed to their counterparts operating in more homogeneous countries.

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Hofstede and Gibb-Dyer's models are similar in content although different in focus. It is evident that managers wishing to understand the concept of corporate culture need to understand both the influence of the national culture and values on the organisation and the influence of basic assumptions internal to the organisation which have developed over time.

### **3.4 A review of four dominant perspectives of culture.**

This section of the chapter will examine the contributions of four perspectives of organisation culture and the role it plays in assisting organisations to manage within the broader environment. In particular, the manner in which cultures facilitate or inhibit organisational adaptation to the wider business environment is examined.

#### **3.4.1 The strong culture.**

Strong cultures have historically been associated with good performance at a corporate level. In this context, Kilman et al (1985:4) refer to the pervasiveness, direction and strength of a culture. They define strength as "the level of pressure that the culture exerts on members of the organisation, regardless of the direction of the culture". In Schein's terms, this would occur when basic assumptions are deeply entrenched and unchallenged. The direction of the culture is defined by Kilman et al (1985:3) as "the course that the culture is causing the organisation to follow". Pervasiveness is regarded as "the degree to which the culture is shared".

Payne (1991) distinguishes between explicit and implicit culture. Explicit culture is regarded as the distinctive patterns of behaviour of the members and the artefacts they produce. Implicit culture is the set of cultural beliefs, values and norms that underlie and determine the observed behaviour. Payne asserts that a feature of a strong culture is the consonance between the explicit and implicit cultures. Strong cultures therefore exert a

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powerful influence upon members' behaviour. A variety of strong cultures can exist, irrespective of the fact that there would be fundamental differences in basic assumptions and values between different strong cultures.

Given these definitions, a culture that is both very strong and pervasively shared is obviously difficult to change. This has clear implications for those leaders desiring to bring about organisational change. In addition, the impact of a culture on members' behaviours and actions can have a significant impact on the realisation, or lack thereof, of the organisation's goals. Schwartz and Davis (1981) acknowledge the mutual reinforcement of values and behaviours as the "closed circuit" of culture. As Schein suggested, strong basic assumptions result from successful actions and behaviours in the history of the firm. The more successful the firm, the less likely that the basic assumptions will be challenged. Hofstede, Neuijen et al (1990) found that strong cultures are more results oriented. They interpreted "strong" as referring to a homogeneous culture. The chapter on organisational learning will refer to research suggesting that homogeneous cultures are less adept at innovation and learning than are cultures containing greater diversity.

Kotter and Heskett (1992) argue that the benefits of a firm possessing a strong culture are as follows:-

- Strong cultures "align" employees with the firm's goals.
- Strong cultures create a higher level of motivation of employees through a common sense of purpose.
- Strong cultures can provide implicit structures and controls without having to resort to bureaucracy to do so.

They believe that cultures that inhibit strong financial performance develop easily, even in organisations full of intelligent people.

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There are however, a number of possible problems associated with reliance exclusively on this approach. For example, what if the direction of the culture as set out by the past and present leadership is incorrect? Incorrect would have to be cast in terms of the organisation's strategic context.

Kotter and Heskett (1992) conducted research wherein culture strength indices of firms were correlated with financial performance of these firms. The results showed a positive but weak correlation between strong cultures and company performance. In fact, some companies possessed relatively weak cultures but performed very well.

Dennison (1990) conducted a longitudinal study of the relationship between corporate culture and company effectiveness. His conclusion was that cultures that were less strong and coherent at a point in time were associated with greater organisational effectiveness in the future and that some strong cultures eventually led to a deterioration in organisational performance.

While many leaders would desire the benefits that a strong culture potentially offers, it is likely that these cultures can include some dysfunctional elements. Strong cultures that have historically been associated with success may tend to become arrogant and deny the need to see problems and situations from different perspectives. Arrogance can often lead to complacency and hence the saying that "success breeds failure". Certainly, strong cultures would tend to have an inward preoccupation. Adizes's (1988) work on company lifecycles showed that start - up and growing organisations tend to be pre - occupied with external, market related issues. Mature organisations, on the other hand, were generally found to have a strong internal focus and orientation.

As the organisation's environment changes and makes new demands on the organisation, so the basic or core assumptions can change from a healthy functional to a dysfunctional influence. The concept of strategic myopia discussed later in this chapter would seem to link closely with the dysfunctional elements of a strong culture.

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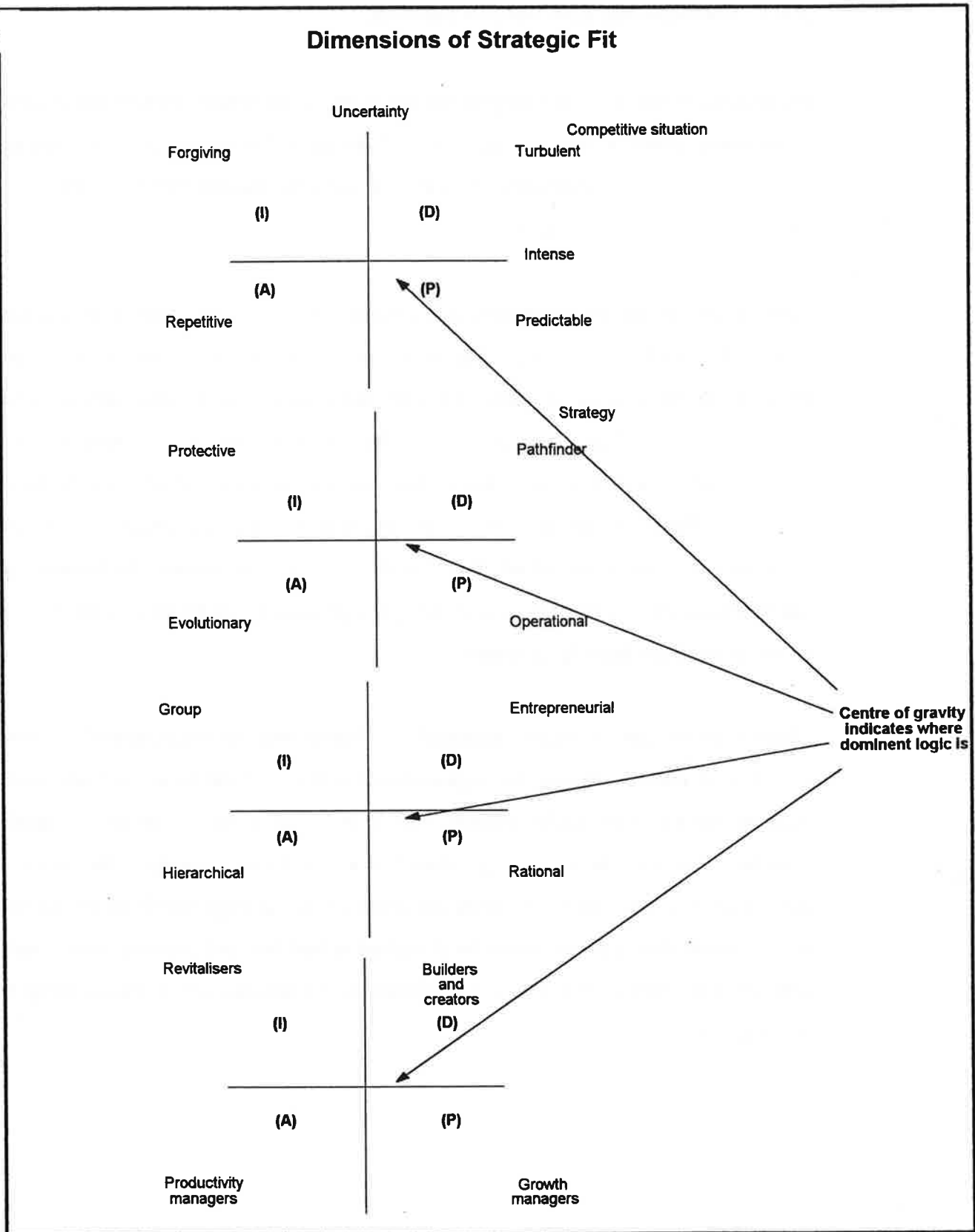
### **3.4.2 Strategically appropriate cultures.**

Proponents of this approach suggest that there are no universally appropriate strategies or management styles. Rather, managers should recognise that a strategy is only appropriate in a given set of circumstances. Similarly, a culture's appropriateness is relative to its environment and circumstances.

Chorn (1991) builds on Jung's personality types and the work of Adizes on management roles and lifecycles to develop what he terms "logics" in an organisation's competitive situation, its strategy, culture and leadership. In Chorn's view, an ideal state of alignment occurs when the "logic sets" in each of the four elements i.e. competitive situation, strategy, culture and leadership bear a close similarity with each other. (see the following diagram). Therefore the content of an organisation's culture relative to its market environment is more important than the strength of that culture. Proponents of this approach suggest that there is no such thing as a good or an ideal culture - the content and nature of a culture must fit its context.

Chorn's model uses a matrix approach to characterise an organisation's competitive situation, its related strategy, the organisation's culture and the nature of leadership in an organisation e.g. The model suggests that if an organisation's competitive situation is turbulent, then the relevant strategy should be a "pathfinder" strategy. The nature of the culture necessary to ensure the implementation of this strategy would be entrepreneurial and the leadership required would be described as builders and creators. Any situation in which this alignment is not achieved would lead to the organisation's strategy being poorly implemented.

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**FIGURE 3.3 DIMENSIONS OF STRATEGIC FIT : CHORN (1991)**

The alignment approach views strategic fit as an ideal state that is seldom achieved for long periods of time. In addition, the primary role of leaders of organisations is regarded as management of the process of bringing about strategic fit through managing the interdependencies between the 4 elements of the model. The leader's role and influence upon organisational culture is regarded as significant in the alignment model. This is an area that tends to be neglected by many chief executives within organisations. The alignment model, however, does not sufficiently recognise the influence the reciprocal influence that the culture may have upon the range of options available to the leader.

Research by Donaldson and Lorsch (1983) revealed the following patterns:-

- Strong founders were found to be important in establishing cultures that are both internally consistent and that fit their environments.
- Aligned cultures help managers deal with a stream of complex decisions by making decision processes easier.
- If a firm's environment does not change dramatically, the firm can successfully carry on for many years with only minor modifications to its culture. The assumption of a stable environment however is not pragmatic in today's business environment.
- If an industry changes significantly, cultural change is too slow to prevent substantial deterioration of performance.

This last finding is particularly important, particularly if one assumes that many, if not most industries are changing significantly and are likely to continue to do so in an accelerating manner. This point has significant implications for leadership. Unless the leadership is unable to detect impending changes early (or listen to other members of the organisation who are predicting such changes) and take the necessary actions to bring about the appropriate changes in culture, then the organisation will constantly be behind the game - trying to catch up.

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Kotter and Heskett (1992) found that the culture - environment fit in higher performing companies was better than in other companies. They also found evidence that a good fit can be undermined by a changing environment. The implication they draw is that a good fit between an organisation's culture and its environment may be positively associated with short-term performance but not with long term performance in changing environments. Given the fact that even those industries that have historically been subject to relatively few forces for change are now under increasing pressure to change, the criticism of the alignment model as being too static in nature becomes more pressing.

One of the most important contributions of the strategically appropriate culture perspective is the heavy emphasis placed upon leadership. In particular, the model suggests that the primary role of the leadership is the management and alteration of prevailing culture in order to maintain the organisation's strategic relevance. As with other models recognising the key role of leadership, little attention is paid to the manner in which leaders are to exert this influence.

### **3.4.3 The adaptive culture perspective.**

Kotter and Heskett (1992:44) define an adaptive culture as "a culture that can help an organisation to anticipate and adapt to environmental change". In their opinion, neither of the previous perspectives of culture explain why some firms are successful at adapting to change and other are not. They believe that only those cultures that can help organisations to anticipate and adapt to environmental change will be associated with superior performance in future. This will be reviewed in greater detail in the chapter on organisational learning.

This poses the question - what are the characteristics of a culture that enable it to adapt readily to change?

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Davis (1985:138) states that "as soon as a smart organisation perceives a significant change in the marketplace, it will begin to manage the change in its culture at the same time as it begins to manage the change in its strategy". Leifer (1989) proposes a dissipative model of organisation transformation in which regular, significant change is a natural, continual response to changing environmental and internal conditions i.e. organisational change is regarded as a natural state. It is difficult to envisage this organisational state occurring without a significant orientation to organisational and individual learning existing.

Hofstede, Neuijen et al (1990) refer to open versus closed systems of culture. The philosophy of the organisation's founders and top leaders were found to play a strong role in open versus closed systems as was the association of more formalisation with a more closed culture. Open cultures were found to admit more controversial issues onto the corporate agenda. The chapter on organisational learning will refer to research finding linkages between open cultures and those cultures that demonstrate improved ability to learn.

Research conducted by Kotter and Heskett (1992) shows that valuing key constituencies differentiates better performers from others and that high performers have value systems that care about all constituencies. According to Kotter, it is the role of managers at all levels of the organisation to provide leadership to initiate changes in strategies and tactics whenever necessary to satisfy the legitimate interests of stakeholders, customers and employees. Kotter believes that evidence does exist to show causality between a culture that supports leadership and values all constituencies to an adaptive culture. This perspective of Kotter's is similar to Huey's (1994) concept of post - heroic leadership. Kotter et al do not however, clearly identify those values or dimensions required for a culture to contribute to and support an holistic focus on all key constituencies. If an adaptive organisational culture is a preferred state to either the strong culture or an aligned culture, then research is required to clarify these values. Kilman et al (1985)

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suggest that adaptive cultures require that risk taking and trust are combined with a proactive approach to organisational life.

Kotter and Heskett (1992:56) state that "holding onto an adaptive culture requires being both inflexible with regard to core adaptive values and yet flexible with regard to most practises and other values".

#### **3.4.4 Transactional and transformational cultures.**

Bass and Avolio (1993) identify a range of organisational culture types based upon the nature of leadership in the organisation. This implies, and is not discussed by Bass and Avolio, that the culture is a direct reflection of the dominant leadership style within that organisation.

They describe a **transactional culture** as focusing upon work from a contractual perspective, whether implicit or explicit. Self - interest is stressed and there is a price on everything. The nature of work internally is that there is competition between employees as each employee's reward is contingent upon performance. Partly due to this, people tend to operate independently and there is little co-operation or problem solving. Employees' commitment is limited to the organisation's perceived ability to reward employees for performance. According to Bass and Avolio, (1993:116) "relatively few behaviours are determined by the norms of the organisation, unless those norms reflect the transactional basis for doing business in the organisation." They also suggest that levels of innovation and learning would tend to be limited in a transactional culture.

They regard a **transformational culture** as being centred around transformational norms and values. These norms emphasise a sense of purpose and belonging for all. According to

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Bass and Avolio, leaders and followers share mutual interests and a sense of interdependence. Leaders also serve as role models and coaches thereby socialising new employees and developing others. This kind of organisation is regarded by Bass et al as dynamic, flexible and adaptive with significant attention paid to questioning prevailing methods used to achieve results.

Bass and Avolio (1993:116) extend the “augmentation” concept discussed in the chapter on leadership by stating that “a transformational culture like leadership can build on or augment the transactional culture of an organisation”. In other words, transformational values do not necessarily preclude individuals from pursuing their own goals.

Although this typology provides a useful and direct link with the concepts of transformational and transactional leadership, there is little added to the manner in which leaders go about creating transformational culture - a culture regarded as an ideal state by Bass and his colleagues. In addition, the interaction between transformational and transactional cultures within an organisation is not clearly explained. Nevertheless, their work reinforces the importance of the interaction and mutual influence between leadership and organisational culture.

### **3.5 Culture and change**

It is not intended to undertake an in - depth review of literature relating to organisational change. Rather, Lorsch’s (1986) concept of “strategic myopia” will be discussed to illustrate the nature of influence exerted by basic assumptions on organisational strategy and the manner in which this can enhance or inhibit organisational responses and learning.

Lorsch (1986) states that "strategic change requires a basic rethinking of the beliefs by which the company defines and carries out its business". This definition of change implies

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that the basic assumptions of an organisation need to change in order for strategic change to occur. As was discussed, changing these assumptions can be difficult for a number of reasons, not the least of which is the emotional commitment and investment that many members of the organisation have to these beliefs. Jones (1995) points out though, that many organisation change programmes take the form of indoctrination in that everyone is expected to agree with the new ideas and practises being suggested by top management.

Sathe (1985:242) states that "a significant change in a culture's content is involved to the extent that:-The change involves a great number of important shared assumptions, change involves high ranked shared assumptions, or involves a movement towards less intrinsically appealing shared assumptions. Resistance to culture change is determined by the magnitude of the change in the content of a culture and the strength of the prevailing culture".

Pettigrew (1986) suggests that it is easier to change culture at the level of manifestation than it is to change the culture at the level of core assumptions and beliefs. He does acknowledge though, that any culture change process must consider the core levels in order to be effective.

Lorsch asserts that because managers in an organisation hold a set of beliefs, the events in the business environment are seen from the perspective of these beliefs. Lorsch terms this "strategic myopia". This model is intuitively powerful as it demonstrates how and why managers and leaders sieve out information with which to make sense of their business environment and consequently to make their decisions. The model also provides an obvious link to Schein's model by recognising the pivotal role of underlying assumptions and values in framing actions and thoughts at work. The Hambrick and Mason (1984) model illustrated in the following diagram further illustrates the concept.

Lorsch argues that even when managers are aware of strategic myopia, they respond to events in terms of their culture. From Lorsch's perspective, culture can be (and often is) a

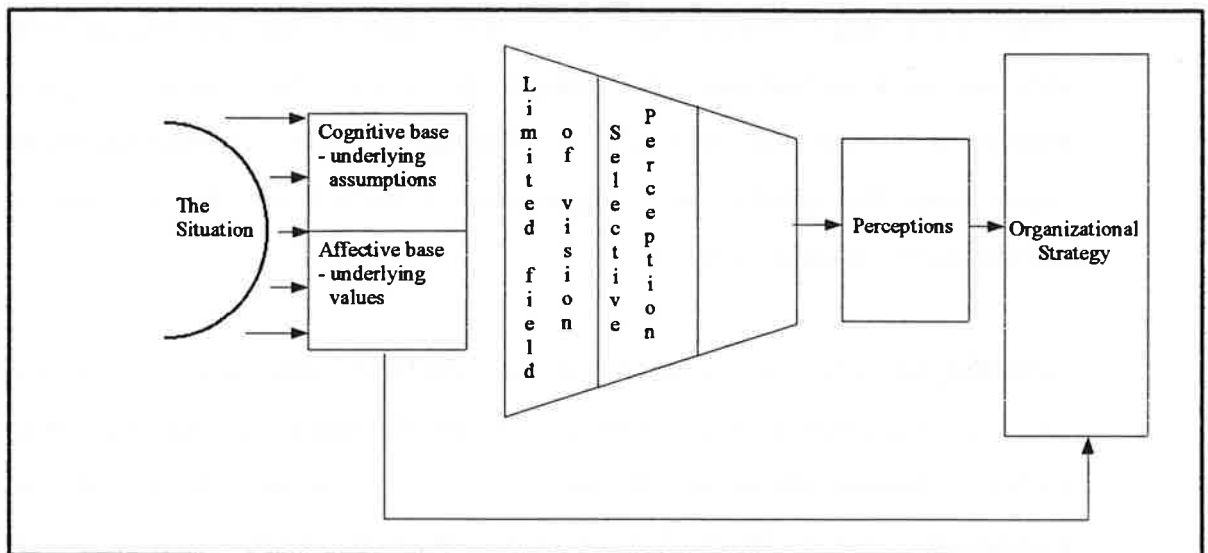
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barrier to strategic change. Sapeinza (1985) suggests that organisation culture can influence and even determine what managers perceive and therefore how they respond to their world. Hannan and Freeman (1984:151) that "structures of organisations have high inertia when the speed of re - organisation is much lower than the rate at which environmental conditions change".

According to Hambrick and Mason's model (1984), managers in organisations view the competitive situation in their business environment through a cognitive base constituted of underlying assumptions and an affective base constituted of underlying values. This results in what they term a "limited field of vision" and concomitant selective perception and interpretation. These result in final perceptions about the situation and therefore an organisational strategy. It is logical to assume that where a strong culture exists, the view of the strategic situation held by the managers of that organisation will be more limited in breadth than may be the case in an organisation where the basic assumptions and values are less strongly or universally held. Hambrick and Mason (1984), argue that the frame of reference provided by the organisational context "bounds the rationality" of the strategic process in organisations. The resulting organisational strategy is thus shaped according to the underlying assumptions and values that dominate. The nature of the bounded rationality therefore directly influences outcomes and actions taken.

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**FIGURE 3.4 MODEL OF STRATEGIC MYOPIA : HAMBRICK & MASON (1984)**

In the organisations studied by Lorsch it was found that persistent problems encountered in achieving desired financial goals were usually the trigger that made managers aware that there was something wrong with their beliefs. Initial responses tended to be incremental in nature where managers tried to solve problems through minor changes to their belief systems and behaviours. Only if these did not work was there a gradual realisation that new patterns of beliefs were required. This would seem to be key to the debate regarding proactive and reactive approaches to leadership. Gibb - Dyer (1985) states that " to the extent that an organisation's leaders are no longer able to reinforce the culture's values and assumptions, these values and assumptions become susceptible to change".

Hamel and Prahalad (1994) argue that "genetic diversity" is required for organisations to be successful in today's business environment. Genetic diversity refers to the diversity of members who constitute the organisations, particularly at executive level. They argue that where members of the top team are similar in terms of background, education, culture, religion and aspirations, the organisation is particularly prone to strategic myopia. They argue persuasively for diversity as a means of overcoming or at least partially negating the negative effects of strategic myopia in organisations.

### 3.6 Conclusion

#### 3.6.1 Summary table of key concepts and authors.

Author	Journal/book	Main contribution or concept
Antal, A et al.	Journal of General Management, 1994, (journal).	Culture's influence upon the organisation's ability to learn.
Bass, B and Avolio, B.	PAQ, 1993, (journal).	Transformational and transactional cultures
Chorn, N.	Management Decision, 1991, (journal).	Strategically aligned cultures
Gibb – Dyer,	Gaining Control of the Corporate Culture, 1985, (book).	Taxonomy of basic cultural assumptions.
Gordon, G	Academy of Management Review, 1991, (journal).	Influence of industry based assumptions upon organisation culture.
Hatch, M	Academy of Management Review, 1993; (journal).	Cultural dynamics model
Hofstede, et al	Administrative Science Quarterly, 1990, (journal).	Open and closed systems of culture.
Hofstede, G	Management Science, 1994,	National value differences

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	(journal).	
Kilman, R et al.	Gaining control of the corporate culture, 1985, (book).	“Strong cultures”
Kotter J and Heskett, J.	Corporate culture and performance, 1992, (book).	Culture - environment fit
Lorsch, J.	California Management Review, 1986, (journal).	Strategic myopia
Schein, E	Organisational Culture and Leadership, 1985, (book).	Chosen definition of culture Three level model of culture

TABLE 3.1 SUMMARY OF KEY RESEARCHERS & AUTHORS

### 3.6.2 Chapter summary

It would seem that basic assumptions influence perceptions and behaviours of members of organisations through the creation of strong expectations of those members and resultant shaping of values and ultimately artefacts within a culture. Their function would appear to be closely related to the need to create some kind of order and consistent interpretation of the environment. Hatch's work demonstrates the dynamic interaction between aspects of culture and ways in which basic assumptions themselves can be altered.

Ford and Baucus (1987) note that in times of economic downturn, top management are often pressured to alter prevailing interpretations, but that they seldom do so substantially. They state that successful adaptation requires new action and belief patterns among the members of the organisation. Therefore a change in the basic assumptions of a culture would not eliminate interpretations within the organisation, it would change the base of interpretation.

Those organisations attempting to develop enhanced learning capabilities and abilities to respond more appropriately to change may well have their efforts nullified unless either the

current culture supports these initiatives or the leadership within the organisation is capable of exerting enough influence to ensure that change occurs. In fact, Lorsch suggests that it is unlikely that top management would undertake initiatives and strategies that do not fit with the current culture. He found that in most cases, it is only after persistent problems in achieving the required or desired financial goals of the organisation have been experienced that top managers become aware of flaws in their thinking and view of the organisation. In many cases, shareholders and other stakeholders would exert significant pressure on top management to effect changes to remedy the situation. The impetus or requirement for change therefore comes from external sources, rather than top management themselves.

Schein (1985a) suggests that a key role of learning leadership is to notice changes in the environment and then to determine what needs to be done in order to remain adaptive to the environment. This implies that a key role for business leaders is the monitoring of the environment and assisting their organisations to react appropriately - organisational learning is one of these responses.

One of the key mechanisms through which cultures appear to exert such a powerful influence is through shared and deeply held assumptions. Historically successful organisations are likely to have strong basic assumptions which are also widely held. It is proposed that these basic assumptions will largely determine an organisation's predisposition towards learning and change. The nature of these assumptions will, to a large extent, determine an organisation's ability to adapt to its environment. Leaders must be aware of their own assumptions and the manner in which these reinforce or undermine prevailing assumptions within the organisation. The ability to identify and alter basic assumptions within the culture where necessary would seem to be a key competence for leaders of modern business organisations.

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### **3.6.3 Linkages to the next chapter.**

A thorough understanding of the concepts of organisation culture is necessary as a grounding and context for any discussion of learning within organisations. It has been noted in many instances in this chapter that aspects of an organisation's culture can (and do), influence members' behaviours and actions and also the nature of strategy undertaken by the organisation.

Diversity of participants in decision processes is recommended as a way of challenging existing assumptions. Hofstede et al (1990) found that homogeneous cultures were more results oriented. Thus there may be a tension between a short-term results orientation and longer-term focus on innovation and learning.

Antal et al (1994:73), state that "the culture of an organisation appears to have a major influence on the ability of the organisation to learn. Cultures in which networking and questioning traditions are frowned upon do not allow the potential of internal actors to flourish". They also suggest that "well adapted" firms have created structures enabling them to recognise the need to re-orient themselves - even in times of success. They maintain that company and culture specific factors firstly influence an organisation's awareness and anticipation of social trend and secondly, the ability to define an appropriate response.

Organisational learning is required in order to enable the organisation to adapt to events in the broader environment. This adaptation should preferably be as proactive as possible in order to ensure that the organisation can maximise the benefit of quick response to such changes. If organisations are faced with faster waves of change, then greater adaptation needs to be stimulated within these organisations.

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## Chapter 4

### 4 The Learning Organisation

#### 4.1 Introduction to the Learning Organisation.

McGill and Slocum (1993), argue that those companies who wish to penetrate global markets will need an ability to respond quickly and effectively to a myriad of changes if they are to succeed. Ulrich et al (1993), point to the need for companies to do work differently. Some of the pressures for this come from higher customer expectations, greater competitive pressures due to deregulation and globalisation and changing technologies. Ulrich et al use the phrase "mental and physical dexterity" to describe organisations' ability to assimilate new ideas and to translate these into action faster than their competitors.

Senge (1990:7) states that "in an increasingly dynamic, interdependent and unpredictable world, it is simply no longer possible for anyone to figure it all out at the top. The old model, "the top thinks and the local acts", must now give way to thinking and acting at all levels."

Coopey (1994:43) writes that "in circumstances of external turbulence which have prompted the learning organisation, the volume of decisions is likely to increase considerably". He believes (1994:44) that the learning organisation "should be transferred from a root metaphor , helping to explain the nature of organisational activities and performance, to a mechanism through which to achieve improved managerial control under dramatically changed circumstances".

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Wille and Hodgson (1991:165) state that “the theme of change has been dominated by a kind of seesaw between the individual and organisation concerns; by the learning that enables the individual to contribute and the learning that happens within the organisation as a whole, whereby it progresses as a unique, though collective entity”. This statement is a very useful contribution for two reasons. Firstly, it suggests that organisational change and learning orientation are interwoven concepts. Secondly, it recognises that individuals within organisations learn and also that learning may take place on a collective scale. This ongoing debate and distinction will be fully addressed in the section dealing with definitions.

It seems likely that the ability of organisations to identify new information, to assess the value and potential impact of this new information, to assimilate this within and throughout the relevant parts of the organisation and apply it in order to achieve commercial success is crucial to continued competitiveness.

The concept of learning within organisations is not new. What is new is the realisation of the extent to which the concept can assist to build competitive organisations. This chapter will explore the nature of the learning organisation and innovation, with specific reference to the manner in which aspects of organisational culture influence innovation. In particular, the nature of knowledge in organisations, the manner in which it is stored, the dissemination of this knowledge and the gaining of new knowledge are reviewed. A number of models of the learning organisation are presented and discussed.

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## 4.2 Definitions.

Pedler and Burgoyne (1988) define the learning organisation as "an organisation which facilitates the learning of all its members and continuously transforms itself". This definition recognises the role of the organisation in facilitating individual learning. The notion of continual transformation, however would seem to be fanciful. In the writer's opinion, transformation implies dramatic change. Possibly, a reference to continual improvements and the capacity to transform the organisation when required would be more appropriate.

"A learning organisation is an organisation skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights", Garvin (1993:80).

Organisational creativity is defined by Woodman, Sawyer and Griffin (1992:293) as "the creation of a valuable, useful new product, service, idea, procedure or process by individuals working together in a complex social system". Woodman et al regard individual and organisational creativity as providing a key to understanding change phenomena and organisational survival and effectiveness.

Mumford and Gustafson (1988) suggest that creativity has to do with the production of novel and useful ideas and that innovation has to do with the production or adoption of useful ideas and with idea implementation.

Garvin's definition will be utilised to define the learning organisation for the purposes of this thesis. His definition's emphasis upon an organisation changing its behaviour to reflect new insights and knowledge acknowledges the cultural component of organisational learning, as well as the need to simultaneously create, acquire and transfer knowledge. The writer suggest however, that the new insights and knowledge are created and realised by individuals within organisations.

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For the purposes of this research, creativity and innovation within organisations are regarded as concepts closely related to organisational learning.

### **4.3 The Organisational Learning, Learning Organisation Debate.**

This section will review the debate between the proponents of the learning organisation and organisational learning in order to arrive at a working definition for this thesis.

The tendency to use the terms “learning organisation” and “organisational learning” indiscriminately by academics and practitioners alike has led to confusion. In the writer’s opinion, this confusion has detracted from the potential impact of research in the area. Garvin (1993:78) states that “the topic in large part remains murky, confused and difficult to penetrate.....scholars are partly to blame.”

Von Krogh and Vicari (1993) suggest that organisations can be conceived of as cognitive entities. Smircich (1983) argued that organisations resemble a cognitive system through their organisational culture. The recognition of organisation culture as an influencer of learning is an important one, but this does not explain how the organisation as a collective entity is able to learn. It is assumed that by developing and sharing a common language and framework for viewing events within an organisation, that organisation members may share cognition (Daft and Weick, 1984, Ginsberg,1990:520) suggests that “organisational thinking can be seen as something more global than the aggregate of individual cognitions”.

Von Krogh and Vicari refer to the theory of autopoiesis (Maturana and Varela, 1987) and its contribution to the cognitive sciences. This theory was developed to assess the distinction between living and other systems. Maturana and Varela suggest that living systems have the ability to “self reference”. If one considers, however, how a system undergoes self reference, in the writer’s opinion, it is highly likely that it is individuals,

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mainly at senior management levels, that take on the responsibility of self referencing on behalf of the organisation. This suggests a role for leaders in stimulating learning.

Organisational learning would seem to be perceived of as either one of two distinct and very different processes. The first refers to those learning processes going on within individuals and groups within organisations. From this perspective, organisational learning is regarded as the sum of individual and group learning (Simon, 1991). The second perspective regards organisational learning as a process integral to the organisation, regardless of individuals (Weick, 1979). Weick (1991:133) himself admits that “scholars of organisations have developed theories that not only don’t work for them, but won’t work for others”.

Many of the writers interested in organisational learning have tended to focus their efforts upon the nature of organisations themselves, almost to the detriment of the nature of learning processes. Leyman (1989) notes “It is quite obvious that ‘organisation’ sometimes is used as a synonym for the ‘leader in power’ and sometimes for a communication pattern between people which binds behaviour to old customs”.

Nevis, DiBella and Gould (1995) regard learning as a ‘systems level phenomenon’. They believe that organisations learn as they produce and suggest three learning related factors that are important to successful organisational learning:

- Well developed competencies that serve as launch pads for new products and services.
- An attitude that supports continuous improvement in the business’s value chain.
- The ability to fundamentally renew or revitalise.

Their perspective would seem to indicate that the culture of an organisation exerts significant influence upon the learning taking place within that organisation. Their use of the term ‘attitude’ is interpreted by the writer as being a collective ‘attitude’ held widely within an organisation. Van Maanen and Schein (1979) assert that the creation of culture

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and the socialisation of members in the culture rely on learning processes in order to institutionalise a view of reality.”

Nonaka (1991) suggests that knowledge creation is an upward spiral. According to Nonaka, this spiral commences with individual knowledge creation, moving to group and then to organisational knowledge creation. In the writer’s opinion, these perspectives reinforce the learning organisation view that learning primarily takes place at individual level within organisations. The organisation would seem to create an environment that is conducive or otherwise for individuals to undergo learning processes.

If one considers induction processes within many organisations, these processes are aimed at assisting new employees to “learn” about their new environment. The writer considers that this process is closer to clarifying rules, policies and acceptable behaviours as opposed to equipping individuals with learning skills per se.

Given the focus of the organisational learning debate on values and behaviours within organisations, the debate has strayed into the area of organisation culture. Perhaps more attention should be paid to the manner in which organisation culture enhances/hinders learning processes within that organisation. This thesis assumes that organisation culture is an influencer of learning. This brings us to a discussion of the concept of the learning organisation.

James, Joyce and Slocum (1988:130) write that “it is individuals and not organisations that cognise. The basic unit of theory for meaning is the individual”. Simon (1991) suggests that all learning takes place within individuals and that organisations only learn in one of two ways: Firstly, by the learning of its members and secondly, through absorbing new members into the organisation who have knowledge that previously did not exist within the organisation.

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Dodgson (1993:377) argues that organisational learning is a result of individual learning in that “individuals are the primary learning entity in firms and it is individuals which create organisational forms that enable learning in ways which facilitate organisational transformation”.

Argyris and Schon (1978) suggest that organisational learning takes place through individual actors whose actions are based upon a set of shared models. They argue that most organisations have shared assumptions that protect the status quo and therefore, inhibit learning.

Kim (1993:45) states that “the intangible and often invisible assets of an organisation reside in individual mental models that collectively contribute to the shared mental models. Without these mental models, which include all the subtle interconnections that have developed among the various members, an organisation will be incapacitated in both learning and action”. Unfortunately, Kim does not sufficiently clarify the actual nature of the process of the transfer of individual learning to the organisation through these mental models.

Ulrich, Jick and Von Glinow (1993:55) argue that learning within organisations comes from both individuals and the organisation itself. They suggest that individual learning occurs “as people acquire tacit knowledge through education, experience or education. Organisational learning occurs as the systems and the culture within the organisation retain learning and transfer ideas to new individuals”. This perspective will be elaborated upon at the end of this chapter.

The term the learning organisation is thought to have its origins in work by Hayes, Wheelwright and Clarke (1988) in the USA and Pedler, Boydell and Burgoyne (1991) in the UK. The term “learning company” seems to have emerged mainly from those commercial firms undergoing change processes primarily in the field of human resource

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management. In addition, the Total Quality Management approach with its emphasis on learning at work and continuous improvement , has added extra impetus.

Having reviewed the debate, the writer's opinion is that individuals are primarily responsible for the learning that takes place within organisations. The prevailing culture within an organisation would seem to either enhance or inhibit the prospects of individual learning being shared widely throughout the organisation. The culture itself is shaped by the dominant assumptions contained within it. It is likely that the role of culture in many organisations is as an inhibitor rather than an enhancer of learning. Any new ideas that are likely to require significant change within current organisational systems and processes are likely to be resisted. Organisational learning is interpreted as a variety of formal and informal processes designed to socialise new individuals into the organisation. The organisation (or elected members thereof) play the role of teaching new members various norms and accepted ways of doing things. This kind of learning reinforces the past and possibly the present, whereas individual learning embraces the future - a far more valuable focus.

#### **4.4 The nature of organisational learning and innovation.**

Learning has historically been described as a relatively passive and permanent phenomenon. More recent research stresses "experiential learning" and "collective organisational learning". Jones and Hendry (1992) conclude that where there is an emphasis on people being actively involved in their own learning and development and this is linked to their daily work needs, then faster learning often occurs. Jones and Hendry contrast the above with Taylorist view of organisation which traditionally required very little initiative from the employee. Kenny and Reid (1988) postulate that formal training and education will give way over time to what they term "natural learning processes". Their definition of natural learning processes refers to learning from work activities and interaction with fellow employees.

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Jones and Hendry believe that where an organisation begins to concentrate on theory and provides time for or requires contemplation, the organisation tends to build a greater degree of capability. There would seem though to be a conflict between a task - oriented and instrumental way of managing people at work and the concept of self - development, open communication and flatter organisations. This could be partly due to the fact that development takes time and does not always generate obvious business benefits in the short term.

Bateson (1972) suggested that people have the ability to “learn to learn”, rather than merely responding habitually to stimuli. He (1972:249) believed that “learning to learn is a synonym for the acquisition of a class of abstract thought” and learning to learn is not necessarily acquired through repeated experience of learning contexts of a given kind, but that these habits are acquired in various ways. Bateson termed this form of learning – “Deutero Learning”.

Argyris (1994), identified 2 types of learning:

- **"Single loop learning"**. This type of learning is routine in nature and corrects errors routinely. Argyris regards this kind of learning as being incremental and adaptive. He uses the example of a thermostat set to heat a room to a certain temperature. Any deviation of the temperature from the required level leads to the thermostat taking appropriate corrective action. This kind of learning may be appropriate in a closed system.
  - **"Double loop learning"**. He believes that this kind of learning corrects errors by examining the underlying values and policies of the organisation. Some organisational cultures will be less disposed to this process than others. From a systems perspective, this kind of learning is regarded as essential for those organisations functioning in fluid, open environments.
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Senge (1990) and Argyris hold similar view on types of learning. Senge uses the term "generative learning" in a similar sense to that of "double loop learning". Senge believes that prevailing "mental models" or paradigms in organisations often make generative learning difficult as it requires these models to be examined and, at times, exposed. Linking back to Schein's model of levels of culture, it would seem that generative learning in many organisations would be resisted. In fact, the perceived need for it would often be absent. Senge (1990:12) states that "leaders as teachers help people restructure their views of reality to see beyond the superficial conditions and events into the underlying causes of problems – and therefore to see new possibilities for shaping the future". There is also a clear link between Senge's views and Lorsch's concept of "strategic myopia" discussed in the previous chapter .

Jabri (1991) conceptualised problem solving as two independent modes of thinking, associative and bisociative thinking. The former is regarded as thinking based upon habit or adherence to rules and the use of rationality and logic. This kind of thinking is likely to generate conventional solutions to problems. Bisociative thinking on the other hand, is characterised by a lack of attention to existing rules and boundaries, an emphasis on imagery and intuition and overlapping separate domains of thought simultaneously. Argyris's (1978) concept of single and double loop learning and Senge's concept of "generative learning" would seem to be closely related to Jabri's perspective.

Isaacs (1993), talks of "triple loop learning". He acknowledges the role of double loop learning as a means of encouraging increasing effectiveness. He believes that triple loop learning answers the question "what is leading me and others to have a predisposition to learn in this way at all"? In other words, Isaacs believes that triple loop learning permits insight into the nature of the paradigm itself, not merely an assessment of which paradigm is superior. It may be though that the distinction Isaacs makes is a false one in the sense that the way that Argyris defines double loop learning implies that underlying assumptions are challenged and examined. If this is done, then the process of examining basic assumptions should proceed to the extent that the nature of the underlying paradigm

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is examined. It is questionable whether one can make a judgement of which paradigm is superior without examining the nature of the paradigms being judged. To this extent, the value of Isaacs's contribution to the debate is questionable.

Sitkin et al (1994) examine the Total Quality Management (TQM) approach and assert the following: That the essential focus of TQM is that of control and that this is underpinned by what they term a "cybernetic control system". "Cybernetic control involves a process in which a feedback loop is represented by using standards of performance, measuring system performance, comparing that performance with standards, feeding back information about unwanted variances in the system and modifying the system" (Green and Welsh, 1988:289). Sitkin et al (1994) believe that cybernetic control is less effective in conditions of high uncertainty and non-routineness. Although this form of control clearly embodies some learning, They describe this as first order as opposed to second order learning. They suggest that second order learning would increase an organisation's ability to explore the unknown and to identify new solutions. They term this approach Total Quality Learning (TQL) and suggest that it reflects an open systems point of view and a focus on keeping boundaries as permeable as possible in order to facilitate second order learning. Diversity of participants in the process is also recommended as a way of challenging existing assumptions. Hofstede et al (1990) found that homogeneous cultures were more results orientated. Thus there may be a tension between a short-term results orientation and longer-term focus on innovation and learning.

#### **4.5 Knowledge and Learning.**

Nonaka (1991:97) argues that "creating knowledge depends upon tapping the tacit and often highly subjective insights, intuitions and hunches of employees and making them available for testing and use by the organisation". He believes that new knowledge always begins with the individual. Davis and Botkin (1994) assert that "knowledge resides more in the individual than in the organisation". Nonaka and Takeuchi (1995:239) state that

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“organisational knowledge creation should be understood as a process that ‘organisationally’ amplifies the knowledge created by individuals and crystallises it at the group level through dialogue, discussion, experience sharing, or observation”.

Nonaka distinguishes between explicit and tacit knowledge. The former tends to be formal, is often documented and is easy to gain access to and to share. The latter is difficult to communicate as it is often personal. Nonaka identifies 4 patterns for creating knowledge in organisations:-

- **Tacit to tacit** i.e. individual to individual. This is the kind of process that skilled craftsman undergo in a traditional process of learning their craft. This learning is very personal and intensive. Feedback on performance or lack thereof, is immediate.
- **Explicit to explicit.** This is likely to be a relatively superficial kind of learning where the learning is not necessarily internalised.
- **Tacit to explicit.** This is best done through a process of articulation. Articulation often requires the use of metaphor to trigger the knowledge transfer and creation process. This process allows individual skills to be widely shared. One of the leader's possible tools to influence the organisation is the use of stories and metaphors in order to make certain points or to stimulate discussion in necessary areas.
- **Explicit to tacit.** As explicit knowledge becomes widely shared, so other employees begin to internalise it. This process may well point to the way in which an organisation's basic assumptions are internalised by members of the organisation.

Although knowledge is in itself regarded as an asset, it may be that tacit knowledge can inhibit learning and adaptation. Due to the fact that it is personally held, it is less likely to be openly debated and critiqued. Perhaps leaders should try to ensure that knowledge in organisations is explicit wherever possible.

Nonaka (1991:97) characterises knowledge creating companies as places where “inventing new knowledge is not a specialised activity..., it is a way of behaving, indeed a way of

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being, in which everyone is a knowledge worker". His belief that knowledge always starts with the individual supports the learning organisation perspective

Cohen and Levinthal (1990:130) argue that "problem solving and learning capabilities are so similar that there is little reason to differentiate their modes of development.....learning capabilities involve the development of the capacity to assimilate existing knowledge, while problem solving skills represent a capacity to create new knowledge". .

Sackmann (1992) differentiates four different levels of cultural knowledge:-

1. **Dictionary knowledge** comprising the "what" of situations and their content.
2. **Directory knowledge** refers to commonly held practices and knowledge about chains of events and their cause and effect relationships. This kind of knowledge delineates the "how" of events and things.
3. **Recipe knowledge**, is based upon judgements and refers to prescriptions for repair and improvement strategies.
4. **Axiomatic knowledge** is about the "why" things and events happen. Sackmann argues that this level of knowledge is similar to Schein's (1985) basic assumptions.

She asserts though, that all four kinds of cultural knowledge are part of a culture's core or essence.

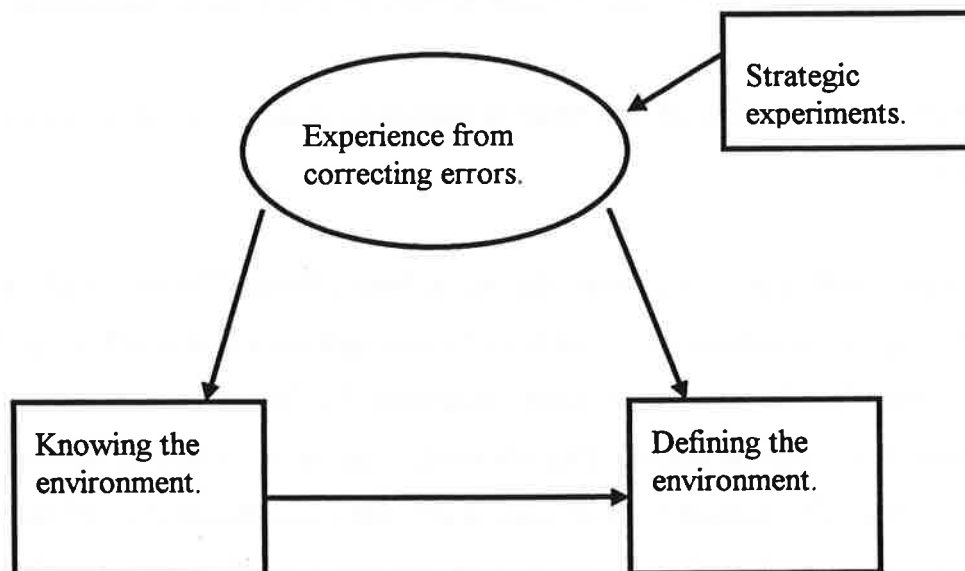
Stewart (1994) argues that knowledge has at least 2 forms. The first is rule based, where following the correct procedure leads to the one right answer to a defined problem. These rules can often be automated. Most knowledge, he feels, is less structured. Often the answer varies with the context. This knowledge also takes the form of wisdom, experience and stories. This wisdom is often grafted into the basic assumptions of the organisation and is passed on through storytelling. Few organisations take advantage of the collective wisdom of their members and often rely on informal means for storage and dissemination of organisational wisdom. Both of these aspects of knowledge are likely to be influenced

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by cultural dimensions within the organisation. If collective wisdom is passed on through informal channels, then cultural dimensions such as informal induction of new employees could be used as an opportunity to communicate accumulated wisdom.

Von Krogh and Vicari (1993) believe that organisational knowledge has components of variety and redundancy and that an organisation operating in a stable environment develops redundancy in knowledge through dealing with similar strategic issues over a long period of time. They further suggest that as an organisation's environment becomes more complex, the organisation's performance will deteriorate unless the knowledge base of the firm increases in variety. Van Krogh and Vicari (1993:406) state that "there is a mutual causality between the evolution of a knowledge base and the ability to cope with strategic issues in an environment. The firm operates in a constructed environment defined by its knowledge base. The knowledge base in turn is developed through a process of 'adaptive rational learning'; that is, by adapting to a constructed environment, the breaking of this circle requires the management of strategic experiments."

**The role of strategic experiments.**



**FIGURE 4.1 STRATEGIC EXPERIMENTATION : Von Krogh and Vicari (1993).**

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Garvin (1993) believes that the challenge is to move from superficial knowledge to deep understanding. In essence, this requires a distinction between knowing how things are done and knowing why they occur. Knowing how to do things is rooted in standards of practise and norms of behaviour. Knowing why necessitates understanding underlying cause and effect relationships. In writing about employees and their understanding of the tasks they undertake, Jones (1995) writes that "depth of understanding produces a greater degree of creativity, flexibility, adaptability and links their application more readily to other contexts".

Hawkins (1994) identifies a number of shifts in perspectives on learning. These are summarised as follows:-

- From learning facts to learning being dialogical.
- From seeing learning as residing in individuals to understanding that it also resides in systemic patterns.
- From learning is linear to learning is cyclical.
- From value free learning to learning with an ethical dimension.
- From learning being a means to an end to it being at the heart of everything we do.
- From learning being for children to learning being a lifelong process.

Many of the above prevailing perspectives are a result of how members of organisations have been "educated" during their formal schooling. The shifts suggested by Hawkins therefore require both individual and organisational change. i.e. If learning is to be dialogical, then individuals must learn how to learn from dialogue and the organisation must both allow and encourage this process. If learning is to be a lifelong process, then organisations must find ways of facilitating this. Many people equate learning with formal studies. This perspective needs to be broadened in order to include practical learning at work.

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#### **4.6 Relevant research on organisational learning, creativity and innovation.**

Research at organisational level has offered empirical support for climate's effect on organisational innovation (Abbey and Dickson, 1983). Very little research however has been conducted on climate's effects upon individual innovation. According to James, Hartman, Stebbins and Jones (1977), climate represents signals individuals receive concerning organisational expectations for behaviour and potential outcomes of behaviour. People also respond to these expectations by regulating their own behaviour in order to realise positive self - evaluative consequences, such as self - satisfaction and self - pride (Bandura, 1988). It is likely then, that if organisational expectations include an emphasis upon innovation and learning, that individuals will adjust their behaviour accordingly.

Amabile (1988) suggested that organisation climate may channel and direct both attention and activities towards innovation. The writer contends that the terms climate and culture have been used interchangeably by many researchers in the area.

Ulrich, Jick and Von Glinow (1993) assert that individual learning within organisations occurs primarily through the acquisition of tacit knowledge, whereas group learning occurs as the culture and systems of the organisation retain and transfer learning. Barley (1986:83) states that "if assumptions are organised, at least in part, as knowledge structures, then the content of the scripts and schemas that structure and retain knowledge should reveal cultural assumptions". This suggests a means for researchers to accurately source core assumptions.

Scott and Bruce (1994) tested a model in which individual innovative behaviour was seen as the outcome of four interacting systems - individual, leader, work group and climate for innovation. The results of Scott and Bruce's research showed partial support for the hypothesis that an organisational climate supportive of innovation enhanced individual innovative behaviour. In addition, support was found for the hypotheses that:- the quality

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of leader - member exchange between an individual and his/her supervisor is positively related to the individual's innovative behaviour; that the degree to which a supervisor expects a subordinate to be innovative is positively related to the subordinate's innovative behaviour; and that the quality of leader - member exchange between an individual and his/her supervisor is positively related to the degree to which the individual perceives dimensions of climate as supportive of innovation.

Other researchers have noted that innovative organisations are characterised by an orientation towards creativity and innovative change, support for their members in functioning independently in the pursuit of new ideas (Kanter, 1984) and a tolerance for diversity among their members (Siegel and Kaemmerer, 1978). Bahrami (1992:41) writes that "despite the inherent challenges, a pluralistic culture can provide considerable versatility by drawing on diverse perspectives, approaches and solutions". These findings support the proposition that organisational climate influences learning and also highlights the crucial role of managers in stimulating and encouraging individual innovation.

In their study of organisational creativity, Woodman et al (1993) distinguished between individual, group and organisational creativity. Adopting an interactionist perspective, their model states that individual creativity is a function of antecedent conditions, cognitive styles and abilities, personality, motivational factors and knowledge. According to Woodman et al, these individual factors both are influenced by and influence social and contextual factors. Regarding group creativity, they asserted that this factor is not the simple aggregate of group members' individual creativity. Group creativity is also influenced by the diversity of group composition, group characteristics (size and cohesiveness), group processes (problem solving approaches) and contextual influences stemming from the organisation. Although these contextual issues were not labelled "culture", it is reasonable to expect that the organisation's culture would be a significant contextual influence.

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Basadur et al (1982) suggest that the organisation should encourage risk taking and free exchange of ideas, it should legitimise conflict, stimulate participation, and rely on intrinsic rather than extrinsic rewards in order to stimulate creativity. Paolillo and Brown (1978) found positive correlations for innovation with autonomy, information flow, creativity, rewards and training.

From an interactionist perspective, the creative process within organisations is composed of both salient behaviours and creative situations. The creative situation is defined by Woodman et al (1993:310) as "the sum total of social and contextual influences on creative behaviour".

Damanpour (1991) suggested four categories of moderators of organisational innovation. They were:

1. **The type of organisation:** manufacturing or service, profit or not for profit.
2. **The type of innovation:** administrative or technical, product or process and radical or incremental.
3. **Stage of adoption:** initiation or implementation.
4. **Scope of innovation:** low or high.

She found positive associations between innovation and specialisation, functional differentiation, professionalism, managerial attitude toward change, technical knowledge, resources, administrative intensity, slack resources and internal and external communication. A negative relationship was found between centralisation and innovation. This would suggest that organisations with cultures that place emphasis on control and central decision making would be relatively less effective in situations requiring innovative behaviour. The positive relationship linking administrative intensity with innovation is surprising. Damanpour defined administrative intensity as a relatively higher proportion of managers and therefore a related level of support and co-ordination provided by these managers. Perhaps administrative intensity is positively related to the implementation of

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innovation. It is difficult to envisage how a greater relative proportion of managers would be positively related to actual innovative behaviour.

Damanpour's research suggests that the scope of innovation and type of organisation are effective moderators of the relations between determinants and innovation. In addition, the results suggested that the adoption of innovation is easier when organisations have organic rather than mechanistic characteristics.

Cohen and Levinthal (1990) assert that an organisation's prior related knowledge confers an ability to recognise the value of new information, assimilate and apply it successfully in a commercial sense. They believe that these abilities constitute an organisation's "absorptive capacity" and that an organisation's absorptive capacity depends upon the absorptive capacities of its individual members. It has been suggested that prior knowledge enhances learning because memory, or the storage of knowledge, is developed by associative learning in which events are recorded into memory by establishing linkages with pre-existing concepts. As a consequence, experience or performance on one learning task may influence and improve performance on some subsequent learning task. (Ellis, 1965). Learning is therefore regarded as cumulative. This would suggest that managers should expose organisational members to a wide variety of learning experiences and knowledge at an early stage in the members' careers in order to enhance the organisation's absorptive capacity.

Cohen and Levinthal regard absorptive capacity as referring not only to the acquisition or assimilation of information by an organisation but also the organisation's ability to exploit it. They found that the structure of communication between the organisation and the external environment, as well as among the sub-units of the organisation and the character and distribution of expertise within the organisation as being the sources of an organisation's absorptive capacity.

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The role of individuals who function at the interface between the organisation and its external environment is regarded as crucial. This role of "boundary scanner" has also been recognised by Burgoyne et al (1994) as essential for organisational learning. This will be further discussed in the Pedler, Burgoyne and Boydell (1991) model. Simon (1985) points out that diverse knowledge structures co-existing in the same mind elicit the sort of learning and problem solving that yield innovation. Simon's reference to "mind" can be regarded as the corporate mind in that the corporate "brain" is constituted of the interactions across individuals who possess diverse and different knowledge structures. These interactions need to be structured to augment an organisation's capacity for making novel linkages and associations.

#### **4.7 Organisation memory**

Extending the concept of the corporate mind, researchers disagree on what form organisational memory takes and at what level it resides within an organisation. Argyris and Schon (1978) argue that organisational memory is only a metaphor ("organisations do not literally remember"). Sandelands and Stablein (1987) on the other hand, raised the possibility that "organisations are mental entities capable of thought". Daft and Weick (1984) caution that any study of organisations make specific assumptions about the nature, design and function of organisations.

Walsh and Ungson (1991) explore organisational memory based on three assumptions:

- That organisations functionally resemble information processing systems that process information from the environment.
  - That organisations are interpretive systems and must therefore develop processing mechanisms to scan, interpret and diagnose events in the environment.
  - The third assumption is that memory is a concept that observers invoke to explain part of a system or behaviour that is not easily observable.
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Walsh and Ungson suggest that organisational information and therefore memory is stored in different retention areas within the organisation. They regard memory as being distributional in nature and that it is distributed among the following:

- **Individuals.** Individuals have their own recollections of what has transpired in and about organisations.
- **Culture.** Culture, as a learned way of perceiving, thinking and feeling about problems that is transmitted to members of the organisation is crucial in that culture embodies past experience that can be useful for dealing with the future. Fleck (1979) argues that "cognition is not an individual process of any theoretical particular consciousness. Rather, it is the result of a social activity, since the existing stock of knowledge exceeds the range available to any one individual". He argued that this stock of knowledge is housed in a "thought collective". Retrieving data from an organisation's culture may be problematic though, as members often do not realise that their stories and sagas constitute knowledge. Walsh (1988) asserted that belief structures develop according to experience in an information environment to give it form and meaning. These belief structure however, can blind decision makers to aspects of their environments. Nystrom and Starbuck (1984) wrote that "encased learning produces blindness and rigidity that may breed full-blown crises".
- **Transformations.** Walsh and Ungson argue that the logic guiding transformations of inputs into outputs in organisations is embodied in these transformations.
- **Organisation structures, ecology or physical structure** of the organisation and external archives are also regarded as areas of the organisation in which memory may be retained.

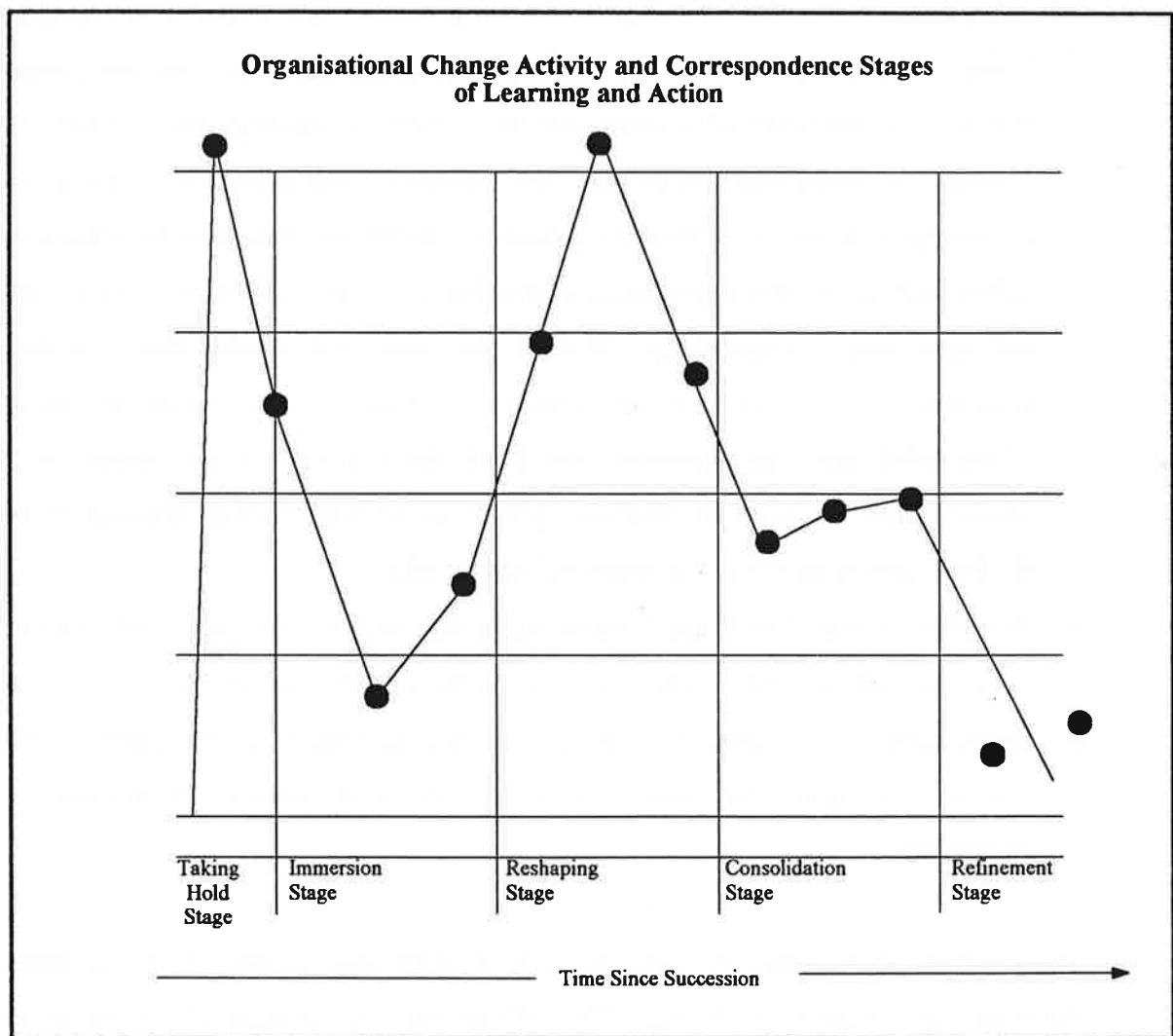
Organisation memory may therefore reinforce a single loop learning style that maintains the status quo (Argyris and Schon, 1978). Walsh and Ungson argue that memory can be unlearned through a process of "retroactive interference". They do not elaborate on the mechanics of such a process, although the writer interprets this to mean active influencing of the organisation's stores of memory by management.

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**4.8 Models of learning within organisations..**

**4.8.1 Gabarro's model.**

Research conducted by Gabarro (1987) concluded that individuals followed predictable stages when placed into new positions of management responsibility. These are reflected in the following diagram:-



**Figure 4.2 Change activity – stages of learning & Action : Gabarro (1987)**

During the taking hold phase, the manager develops a cognitive map of his/her situation. At this point, the manager normally brings about superficial corrective changes based on his past experience. The immersion stage results in a better understanding of the basic dynamics of the business. The new manager goes through a process of deeper, reflective learning. Typically this learning leads to a new conceptualisation of the situation which becomes the basis for major changes made in the reshaping phase. During the stage of consolidation, the manager assesses the consequences of the changes made in the previous stage and takes corrective measures based on that learning. The refinement stage is typically characterised by maintenance actions on the part of the manager and, at best, incremental learning. Gabarro's research found that the first 4 stages were almost always concluded within a 36 month period. The implications of this for organisational learning and change are significant. His research suggests that learning and related innovation do not occur in any significant manner once a manager has been in a particular position for longer than a three year period. The research also casts some doubts on the ability of transformational leaders to continue to act in a transformational way over a long period of time.

The model suggests that it is unlikely that organisations can rely upon the initiatives of individual members alone in order to bring about improvements and organisational learning. This would certainly seem to be the case with those individuals who have been in a certain position for longer than three years.

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#### **4.8.2 McGill and Slocum's model**

McGill and Slocum (1993), posit a taxonomy of four possible approaches to learning within organisations. According to the authors, these four kinds of learning progress from basic to most sophisticated.

##### **Level 1: The Knowing Organisation.**

McGill and Slocum believe that this perspective has its roots in Taylorism, Weber's concept of "bureaucracy" and Fayol's "administrative theory". The underlying assumption within the knowing organisation is that there is one best way to do a job. In addition, proponents of this approach argue that the best way to do a job is either known or knowable. They point to a number of successful organisations who fit this framework. Disneyland and McDonalds are provided as examples of companies that have discovered something that works, have "memorised" this and have repeated it again and again. These organisations are often based upon one great act of innovation that is then routinized. Knowing types of organisations tend to focus on efficiency, predictability and control. Rationality and efficiency tend to be valued above all. Things are done by the policy and procedures manual and there is little latitude allowed for individuals to bring their own creativity to bear in the workplace.

The primary role of the manager in these organisations is to control the behaviour of subordinates through enforcing the rules. McGill and Slocum believe that these organisations are "learning disadvantaged". They use this term in a similar sense to the way a child may be described as having learning disabilities. The focus on routine and "the company way" enables these organisations to be successful as long as the nature of the marketplace remains stable. In other words, these organisations are successful as long as they don't need to learn. This approach to business would seem to best fit with Argyris's single loop learning approach. In order for significant learning to take place, the knowing

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company would be required to open itself up to examining its own experience - in essence, a process of questioning its own assumptions.

### **Level 2: The Understanding Organisation.**

This kind of organisation is the result of a particular kind of response to the pressures many organisations have been subjected to since the 1980's. According to McGill and Slocum, organisations were faced with 2 challenges. Firstly, the need to find alternatives to established ways of doing things in order to preserve their organisational identity and success and secondly to do so in a way in which these new organisational responses would not undermine their ability to predict and control others' behaviour. Many companies who fall into this category choose to adapt to only those changes that are compatible with the basic culture and assumptions of the company. In many cases this takes the form of the promotion of change through a process of re-emphasising the original core values of the culture. The culture achieves control over members' actions and behaviours through a widespread understanding of what the company valued. McGill and Slocum equate this approach with the strong culture discussed in chapter three.

The philosophy underpinning this paradigm is that a clear and commonly understood statement of values and beliefs is an appropriate guide to the actions of members of the organisation. According to McGill and Slocum, these organisations tend only to appreciate changes that are consistent with their core values. Companies involved in promoting their own culture are unlikely to be open to other potentially different experiences or perspectives.

### **Level 3: The Thinking Organisation.**

These kinds of organisations value problem solving skills above all others. Members of these organisations are trained to solve problems as they occur. These tendencies often result in quick diagnosis of business problems, analysis and action. What is often lacking

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however, is a comprehensive understanding of the causes of problems, and in particular, how the organisation may be causing or contributing to these problems. Thinking organisations tend to rely on reactive responses to organisational problems and this often leads to short term management perspectives. McGill and Slocum point to the plethora of customer service programmes and quality improvement programmes as being typical of thinking organisations. McGill and Slocum (1993:73) quote Kiernan as observing "such a linear approach virtually precludes the ability to step back and ask more fundamental, difficult and useful questions". A core assumption driving thinking organisations then is that all of the problems faced by the organisation can be solved in a rational way.

#### **Level 4: The Learning Organisation.**

According to McGill and Slocum (1993:73), learning organisations "process both the experience and the way the organisation experiences it". Organisations in this category are committed to learning from every aspect of the organisation's experience. These companies make a conscious effort to learn from every experience and also about the way that the company collects, processes and uses information. Management's task in this type of organisation is to foster a climate that promotes learning through encouraging experimentation, creating open communication and dialogue and facilitating the processing of experience. The learning organisation is likely to have many change efforts underway at any point in time. Change is regarded as an input that leads to learning.

Their taxonomy is flawed in that there are very successful organisations that would be described as knowing organisations. There would seem to be parallels between the concept of a strong culture and the knowing organisation. It may be important to distinguish between those organisations that require learning to take place at all levels in order to achieve and maintain success and others where learning may be detrimental to success or only required at senior manager level. McDonalds would be most appropriately described as a knowing organisation, yet is extremely successful. Innovation and creativity would not be valued at lower levels in the organisation as a large part of the organisation's

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success has been the standardisation of all aspects of the product and the related services. One would imagine however, that at top management levels, considerable thought and effort is devoted to analysing environmental trends and their potential implications.

While this model is useful as a means of distinguishing different typologies of organisational learning, McGill and Slocum's description of the learning organisation does not add much value to questions pertaining to how to achieve this apparently ideal organisational state.

#### **4.8.3 Pedler, Burgoyne and Boydells' model.**

Pedler, Burgoyne and Boydell (1991), suggest that learning organisations ought to possess the following 11 dimensions.

1. **A learning approach to strategy.** Managerial acts are seen as conscious experiments capable of being altered, rather than set solutions.
  2. **Participative policy making.** This requires the attitude that all diverse groups have a right to take part and that this diversity is valuable due to the infusion of creativity. Success of this dimension lies in the recognition that successful debate involves working with conflict and tensions between different values and views. This perspective links well with Hamel and Prahalad's concept of genetic diversity discussed earlier.
  3. **Informating.** This term is used to describe the process by which information technology is used to inform and empower people. This necessitates that information is made as widely available as possible, and that it is used not to control but to inform people of events in the organisation's systems and processes.
  4. **Formative accounting and control.** In the learning organisation, the budgeting, accounting and reporting systems are structured around the needs of their internal customers and to assist their learning.
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5. **Internal exchange.** An emphasis on internal customer management, agreeing of expectations and stakeholder management.
  6. **Reward flexibility.** This requires frank assessment of all the factors which members may find rewarding. The assumptions underlying the reward system need to be brought out into the open and examined. This typically requires not only a change in the distribution of rewards, but a redistribution of power.
  7. **Enabling structures.** Departmental and organisational boundaries are seen as temporary structures that can flex in response to changes.
  8. **Boundary workers as scanners.** This is one of Pedler et al's most specific characteristics. This was also specifically mentioned by Nevis et al (1995). All members of the organisation who come into regular contact with key stakeholders are tasked with the gathering of information and ensuring that this is fed back into the system and acted upon.
  9. **Inter - company learning.** The concept of benchmarking is already well established and widely utilised. Pedler et al go further though to suggest that learning organisations get together with their competitors for mutual learning. This is an idea that is anathema currently to many businesspeople who have been schooled in the paradigm of strategy based upon "killing" the competition. Pedler et al argue that this process will serve to expand the market served, a concept echoed by Covey's (1989) concept of scarcity and abundance mentalities.
  10. **Learning climate.** Managers see their task primarily as the facilitation of the learning of their team members.
  11. **Self - development opportunities for all.** The appropriate resources are made available to all. Pedler et al identify only the provision of needed resources as leading to the creation of this dimension. This is probably insufficient as the barriers to members of the organisation grasping self - development opportunities are likely to be more than resources or the lack thereof.
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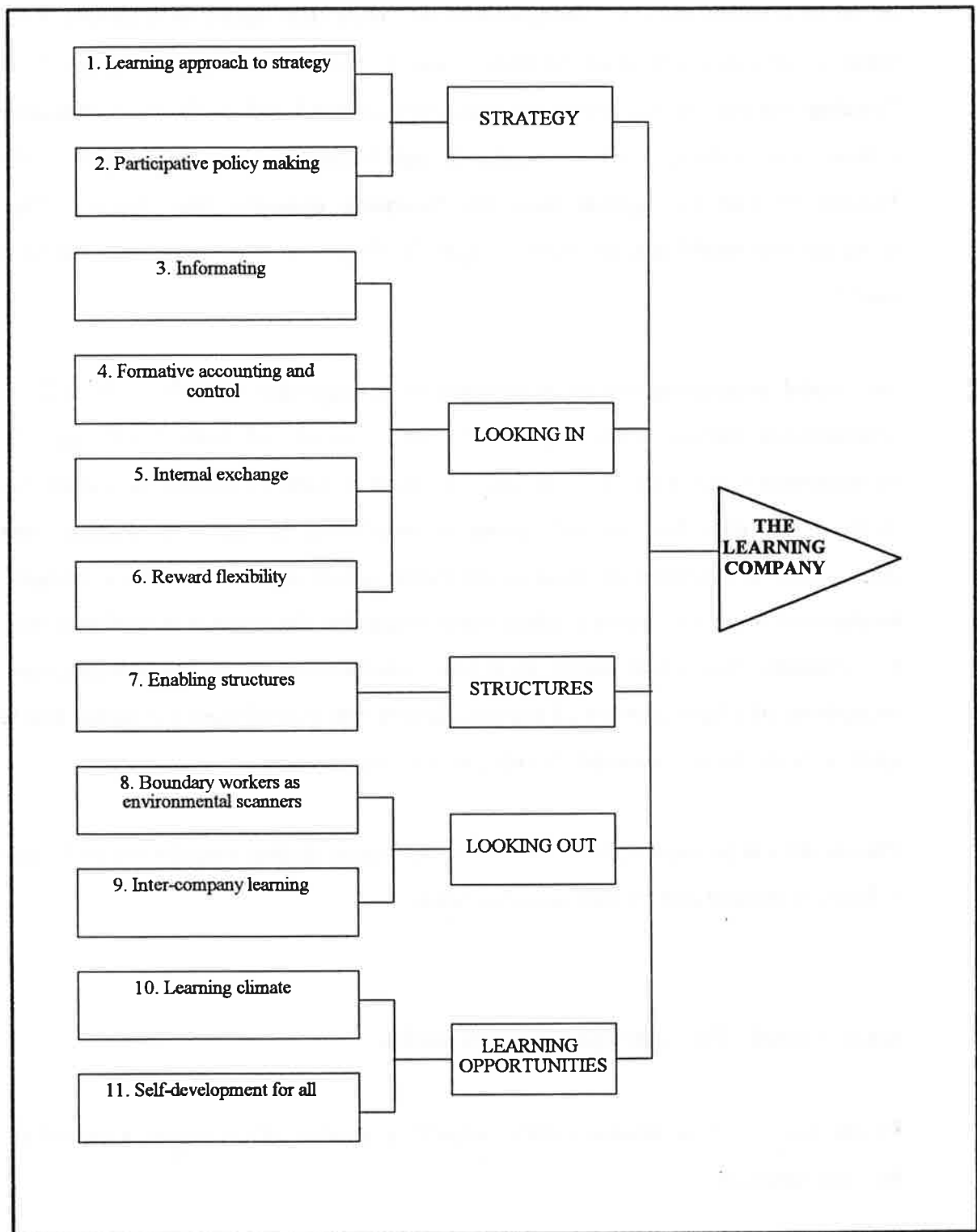


FIGURE 4.3 11 CHARACTERISTICS MODEL : PEDLER & BURGOYNE (1991).

Pedler et al group these 11 characteristics into what they regard as 5 factors. Factor 1 which is constituted of characteristics 1 and 2 is termed "strategy". Factor 2, called "looking inward" is constituted by characteristics 3,4,5 and 6. Factor 3, "structures" reflects characteristic 7. Characteristics 8 and 9 comprise the "looking out" factor. Number 10 and 11 together form the "learning opportunities" factor. This 11 characteristics model will be discussed again in chapter 5 which deals with the research model.

The model emphasises certain approaches to management of individuals and of the organisation's culture. There appears to be a variety of both "soft" and "hard" competencies required by an organisation in order to learn effectively. It is likely that an emphasis on only hard or soft issues is insufficient in order to develop learning competence. The breadth of focus of the model would seem both to be a strength and weakness of the model. Some academics may argue that the model is untenable in that it is too idealistic. The writer views its primary contribution to be the identification and recognition of a large number of practical factors that practitioners can utilise and focus upon in their efforts to stimulate learning within organisations.

This model will be specifically referred to in the chapter dealing with the research model as it forms an integral part of the research process.

#### **4.8.4 Ulrich, Jick and Von Glinow's model.**

Ulrich, Jick and Von Glinow (1993), identify a number of assumptions central to the learning paradigm:

1. That the concept of the learning organisation is grounded in diverse streams of management history. The concept of learning within organisations is not new. Taylorism was concerned with passing on learning to other employees in order to
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improve efficiencies. This approach though would fit best in McGill's knowing organisation category. What is new is how the concept can help to build competitive enterprises.

2. The second assumption identified by Ulrich et al is the learning matters. As knowledge and competence becomes more central to organisational competitiveness, so the ability of individuals and organisations to learn becomes crucial.
  3. Assumption three is that learning within organisations comes from both individuals and organisations. Ulrich et al regard individual learning as the acquisition of tacit knowledge, whereas organisational learning occurs as the culture and systems retain and transfer learning. This distinction is an important one. It is difficult to see how organisations themselves can learn. If organisational learning is concerned with how culture and systems retain learning, is this learning not a function of groups of individuals?
  4. The fourth assumption is that learning can occur along a continuum from superficial to substantial. Many of the programmes found in the problem solving company would tend to be relatively superficial in nature.
  5. The fifth assumption is that learning comes from many small failures. Ulrich et al believe that failure increases risk tolerance, the search for information, the recognition of problems and the motivation to adapt.
  6. The sixth and final assumption is that learning follows a predictable set of processes. It is important to note that whilst aspects of these 6 assumptions may be integrated into the basic assumptions of an organisation, these assumptions are not stated in the form of cultural assumptions as per Schein's three levels of culture.
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Ulrich et al (1993:53) define the concept of learning capability as "the capacity of managers within an organisation to generate and generalise ideas with impact". They believe that the primary management task associated with generalising ideas with impact is to create an infrastructure that moves ideas across boundaries. The ability to disseminate information and learning within organisations would seem to be a key competence for organisations aiming to foster effective learning. Ulrich et al believe that the model depicted in the diagram describes a "management architecture for achieving this management task".

**BUILDING A LEARNING CAPABILITY : A MANAGEMENT ARCHITECTURE**

<b>CULTURE:</b> To what extent is our culture/mindset focused on learning?			
<b>COMPETENCE:</b> To what extent do we have individual, team, and organizational competencies for learning?	<b>CONSEQUENCE:</b> To what extent does our performance management system encourage learning for individuals, teams, and processes?	<b>GOVERNANCE:</b> To what extent do our organization structure and communication processes encourage learning?	<b>CAPACITY FOR CHANGE THROUGH WORK PROCESS &amp; SYSTEMS:</b> To what extent do our work processes and systems encourage learning?
<b>STAFFING TRAINING/ DEVELOPMENT</b>	<b>APPRAISAL REWARDS</b>	<b>ORGANIZATION DESIGN COMMUNICATION</b>	<b>CHANGE INITIATIVES WORK PROCESSES AND SYSTEMS</b>
<b>LEADERSHIP:</b> To what extent do leaders throughout the organization demonstrate a commitment to learning?			

**FIGURE 4.4 BUILDING LEARNING CAPABILITY : ULRICH ET AL (1993)**

This model is intuitively sound in that it is holistic - taking into account a number of cultural dimensions. The model is underpinned by the leadership role. This assertion is fundamental to this thesis. It is suggested that the reason for failure of many leadership intentions is that these expectations are not inspected and there is therefore no consequence (positive or negative) for behaviour that is in accordance with the leader's wishes. The assertion that appraisal and rewards have a large role to play is thus sound. The area of staffing, training and development is an obvious link to learning. The areas of organisation design and communication and workprocesses and systems are also useful in that they identify key inhibitors to learning in organisations. e.g. It is difficult for new ideas to be disseminated throughout the organisation unless there are suitable communication processes and structures in place.

#### **4.9 The creation of the learning organisation.**

Jones and Hendry (1992) suggest a 5-phase model for learning in organisational contexts:

**Stage 1 - Foundation.** This phase aims to bring out learning blockages into the open. These learning blockages are comprised both of individual blockages (often through bad habits learned in previous formal learning situations) and organisational blockages such as top down assumptions. In addition, this phase addresses the motivation and confidence of members of the organisation to learn in an organisational context.

**Stage 2 - Formation.** At this stage members of the organisation have not yet achieved independence and need to be encouraged to develop skills for self learning and development. As the individual takes more personal responsibility more development, so learning becomes more experiential and less formal in nature.

**Stage 3 - Continuation.** At this point, the individual and organisation have become self-motivated, independent and confident. Learning begins to focus on crucial questions such

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as what and why things are done in a certain way within the organisation. In other words, learning at this stage begins to focus on change.

**Stage 4 - Transformation.** This phase is concerned with how to be different and to act differently. Learning may be required in areas that organisation members do not even know are required (due to rapid technological change). At this phase, there is no longer a separation of the "thinkers" and the "doers". They become one and the same. Leadership and group relationships focus on creativity and how it can be learned and managed.

**Stage 5 - Transfiguration.** By this stage, learning occurs at all levels on all equal basis and both the organisation and the individual have the capacity to cope with any change. Leaders and managers play the role of facilitators of learning. This type of organisation is able to step outside of its existing frameworks, to let go of its most basic assumptions and to replace these with new sets of values and ways of operating.

The value of Jones's model is in the realistic recognition of the starting point for most organisations in the quest for learning organisation status. In addition, the model examines both individual and organisational factors. What Jones advocates in stage 5 is the creation of an adaptive and fluid culture in order to achieve transfiguration. He talks rather glibly of replacing basic assumptions with new sets of values. A crucial question though, is whether there are not standard sets of values that encourage and support learning? Is it necessary to constantly change values or are there key values which, once in place, will support learning in perpetuity? What the model lacks however, is practical suggestions on how to progress from stage to stage. Jones however, views learning as a journey, with 'stopping off places' as opposed to a cyclical pattern that repeats itself.

Garvin (1993) believes that organisational learning normally consists of 3 overlapping stages:

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- **The Cognitive stage.** During this stage members of the organisation are exposed to new ideas and begin to think differently.
- **The Behavioural stage.** Employees begin to internalise new insights and to change their behaviour.
- **The Performance Improvement stage** in which these changes result in tangible gains.

McGill and Slocum (1993), suggest though that the starting point begins with a process of unlearning. They point out that many behaviours and assumptions within organisations have outlived their usefulness. In their view, a learning organisation has a culture that promotes learning. This includes an openness to experience, encouragement of "reasonable" risk taking and willingness to learn from failures. According to McGill and Slocum, strategy in a learning organisation should be predicated upon an acceptance of the fact that learning is the only source of competitive advantage. Smaller efforts are favoured in the place of "grand programmes". They point to structural qualities of the learning organisation as being permeability, flexibility and network intimacy. Information systems support learning and help to disseminate learning and information throughout the organisation. They conclude that organisational learning is more than acquiring new knowledge and insights, it requires unlearning old behaviours and assumptions that have worked in the past. This suggestion fits closely with previous perspectives requiring the challenging of basic assumptions in order to learn and improve.

Wille and Hodgson (1991) emphasise the role of information and control systems in assisting learning from the consequences of decisions, so that better actions and decisions may be taken and made in future. Information and control systems are not used to blame. In addition, information is used as a resource to be shared across organisations. Wille and Hodgson describe how learning organisations are obsessed with listening to stakeholders in order to gain new insights and information. This approach requires of leaders that they are willing and able to share both information and power with all levels of employees.

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The structure of a learning organisation has received relatively little attention. Charan (1991) regards networks as providing many of the answers. In his opinion, networks allow the right people in the organisation to converge. Networks affect patterns of relationships and can possibly play a significant role in making information available to all organisational members in a way in which value is added. Davies (1994:57) states that "we may need to find organisational forms in which the structure can embody the spirit." She points out that structure seems to stifle the ability to learn from others, yet structure is required for direction and discipline.

Schein (1993a) introduces a concept of "parallel learning systems". He suggests that in order to bring about learning, a safe and supportive environment for innovation and learning should be created parallel to the formal culture and systems in an organisation. Schein suggests that these parallel systems are based upon 4 assumptions:-

- Leaders must learn something new. In other words, one cannot ask others to learn something new if one has not learned something new oneself. This necessitates that leaders question the supremacy of their own cultural assumptions.
- Learning requires a process of stepping outside of one's culture before one can discover the limitations of one's present. Leaders therefore need to expose themselves to other national, organisational and occupational cultures.
- Schein feels that the dissonance and discomfort associated with this learning are managed best if shared jointly in a group accountable for the organisation's ultimate success and welfare.
- In order for the learning to spread across the organisation, a transition group needs to be created that is responsible for organisational learning processes. An area that has received a significant amount of attention in this regard is the area of dialogue.

Jones (1995:118) states that successful learning and development occur when "someone is given time; allowed to thoroughly immerse themselves in a topic which is of personal

interest to them; links personal interest and the job; and which can be developed in an holistic way”

Pettigrew (1992) suggests that ‘islands of progress’ need to be created by change drivers (leadership) in order that members of the organisation can see the benefits of their efforts within a reasonable period of time. Beer et al (1990) also write about change occurring in pockets within organisations and that “embedded change and learning” occur through sufficient focus upon individual and team roles, responsibilities and relationships”. He suggests that the key to organisational change is to concentrate upon the manner in which individual parts collectively adapt incrementally over time.

#### **4.9.1 The role of dialogue.**

Senge and Kofman (1993), state that "learning organisations are spaces for generative conversations and concerted action. In them, language functions as a device for connection, invention and coordination. People can talk from their hearts and connect with one another in the spirit of dialogue". Senge and Kofman feel that dialogue is key to connecting members of organisations and to establishing deep and shared meaning between them. Isaacs (1993) defines dialogue as "a sustained collective inquiry into the processes, assumptions and certainties that compose everyday experience". The term dialogue has its roots in the Greek words "dia" and "logos", suggesting "meaning flowing through". Isaacs asserts that dialogue is different to consensus. The latter stresses acceptability of decisions and assumes that shared action will arise from a shared position. Although consensus may create agreement, the process does not alter the fundamental patterns that caused people to differ in the first place. Dialogue, on the other hand, tries to get people to think together and to gain insight into shared assumptions and why they arise. Isaacs believes that dialogue is crucial to organisational learning because it is a mechanism for effective collective thinking.

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Isaacs believes that collective thinking is necessary due to a number of reasons. Firstly, the complexity faced by most organisations today requires that the collective intelligence of all members is tapped. Secondly, many efforts at creation of organisational learning do not succeed. According to Isaacs, this is often due to the way in which we have mentally fragmented the world. We tend to divide the world into categories and we rely on these categories to provide meaning. Isaacs (1993:29) states that "it seems increasingly clear that our thoughts and perceptions can literally create our worlds". Dialogue helps to uncover and inquire into the way in which we categorise and name things and how these then influence our world. According to Isaacs, dialogue requires inquiry into the nature of tacit thought of both individuals and collectives. In order thought to gain insight into the nature of our tacit thought, we must create opportunities to watch or experience it in action. There is thus a clear linkage between Isaac's and Nonaka's perspectives.

Schein (1993a), notes that proponents of dialogue argue that it is a way of helping groups achieve higher levels of consciousness and to be more effective and creative. He asserts that because organisations tend to break into sub units and that these sub units develop their own subcultures, organisational effectiveness depends significantly upon communication across the boundaries of these subcultures. Organisational learning therefore, will require the development of shared mental models across the subcultures of organisations. Schein suggests that different levels within organisations are likely to operate with different assumptions and that dialogue is therefore necessary in order to communicate across these levels. If shared mental models are to be created across subcultures, this implies that shared assumptions and hence a common thread across these subcultures need to be developed. In other words, it would be difficult to achieve organisation - wide learning unless all of the organisation's subcultures possess assumptions and values that support learning.

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## 4.10 Conclusion

### 4.10.1 Summary table of key concepts and authors.

Author.	Journal/book.	Contribution
Argyris	Harvard Business Review, 1994, (journal).	Single and double loop learning.
Cohen and Levinthal	Administrative Science Quarterly, 1990, (journal).	“Absorptive capacity”
Damanpour	Academy of Management Journal, 1991, (journal).	Moderators of innovation
Gabarro	The Dynamics of Taking Charge, 1987, (book).	Change orientation and length of tenure.
Jones and Hendry	The Learning Organisation: A review of literature and practise, 1992, (book).	Five phase model for learning in organisations.
McGill and Slocum	Organisational Dynamics, 1993, (journal).	Typology of organisations with respect to learning
Nevis, DiBella and Gould	Sloan Management Review, 1995, (journal).	Learning as a systems level phenomenon.
Nonaka	Harvard Business Review, 1991, (journal)	Explicit and tacit knowledge structures
Pedler, Burgoyne and Boydell	The Learning Company, 1991, (book).	Typology of dimensions constituting learning within an organisation
Sackmann	Administrative Science Quarterly, 1992, (journal).	Levels of cultural knowledge
Scott and Bruce	Academy of Management Review, 1994, (journal).	Determinants of innovative behaviour

Smircich		Cultures as cognitive systems
Ulrich, Jick and Von Glinow	Organisation Dynamics, 1993, (journal).	Model for learning capability
Walsh and Ungson.	Academy of Management Review, 1991.	Organisational memory
Woodman et al.	Academy of Management Review, 1992, (journal).	Distinction between individual, group and organisational creativity.

**TABLE 4.1 SUMMARY OF KEY RESEARCHERS & AUTHORS**

#### **4.10.2 Chapter summary**

There would appear to be a fair amount of consensus regarding what the learning organisation looks like in terms of values, systems and behaviours. There is less consensus though, and fewer models as to how to achieve this state.

This thesis makes the assumption that organisational learning is intimately linked with organisational creativity, innovation and adaptation. Much of the research into organisational creativity and innovation has recognised the influence of aspects of organisational culture on learning. Little research has specifically examined possible relationships between basic assumptions per se and organisational learning and innovation. Some of the research has focused on climate's influence. The writer suggests that the term climate is used loosely and that the researchers were intending to refer to the more holistic concept of culture.

It would appear that organisations possess different levels of knowledge and that these forms of knowledge are stored and distributed throughout organisations in different ways. Aspects of knowledge would seem to constitute part of an organisation's core or essence

leading to the metaphor of a "corporate brain". It is contended that diverse knowledge structures in the corporate brain facilitate organisational innovation.

It is also clear that prevailing expectations within organisations influence the extent of learning and innovation that takes place within these organisations. The research on this suggests that learning and innovation therefore have to be an explicit aspect of cultural assumptions or expectations in order to be realised. According to Hatch's cultural dynamics model (referred to in chapter three), leaders wanting to achieve higher levels of organisational learning are able to do so by manipulating symbols and ultimately changing prevailing core assumptions. It has also been established that aspects of the relationship between a manager and subordinate can determine the degree to which the subordinate perceives the climate (culture) of the organisation to be supportive of innovation. As culture exerts such a strong influence upon individual behaviour, it is essential that individuals do perceive the culture to be supportive of innovation and creativity. Individuals are highly likely to respond to those issues that the culture is supportive of as the cultural support often translates into criteria for promotion and other forms of advancement.

The issue of diversity appears as a thread through much of the research. Factors such as a tolerance for diversity amongst organisational members, and diverse knowledge co-existing within organisations were found to be positively related to innovation and learning. Cultures that are less tolerant of diversity are therefore likely to find themselves at a disadvantage when it comes to learning.

It has been suggested that learning is a cumulative process and that individuals and organisations learn by making associations with previous learning. In times of rapid change however, it can be argued that learning as a continuation of the past is unlikely to be sufficient as significant changes often require a discontinuous shift or new paradigm. Single loop learning or learning through cybernetic control would appear to be less useful in changing conditions. Second order or double loop learning seems to be required in

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order for organisations to succeed. The former, however, is likely to dominate as learning tendencies would seem to be influenced by past habits and rules within an organisation's culture.

Other influences of learning were found to be: Support for independent functioning of organisations' members, risk taking and free exchange of ideas, conflict, intrinsic rewards, participation, information flow, communication with the external environment, training, and prior knowledge. If one reviews many of these tendencies or approaches to management using Gibb-Dyer's taxonomy as a framework, then the writer suggests that certain core assumptions would be more effective in eliciting and encouraging learning and innovation. These are likely to be collateral relations, the assumptions that members are inherently good (capable of making a contribution), and that the nature of organisational "truth" is determined through personal investigation.

Aspects of organisational culture observed as negatively influencing innovation and learning included:- centralisation, rigid or "encased" belief structures and cybernetic control systems. It is likely that these aspects would be related to assumptions of hierarchical relationships, truth being determined by external authority figures, and members of the organisation being inherently incompetent.

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## Chapter 5

### 5 The Research Model

#### 5.1 Introduction.

The three chapters comprising the literature review provide the context to the key concepts and principles of this research.

**Chapter two** discussed Bass et al's work in the areas of transformational and transactional leadership. Related models were also discussed. The concepts of transformational and transactional leadership, particularly the former are central to this study. The manner in which transformational leaders influence the nature and extent of learning and innovation was also examined.

**Chapter three** explored the nature of organisation culture and the influence culture has upon behaviours and actions within organisations. In particular, the formation of basic assumptions, their role and ways in which leaders can change these assumptions were reviewed. Organisation culture's influence upon learning was also explored.

**Chapter four** introduced the concept of the learning organisation. Research linking organisation culture with the nature and extent of learning, innovation and creativity within organisations was discussed. Pedler, Burgoyne and Boydells' (1991) model of learning was selected as a key tool with which to further this research. The model is one of the few holistic models addressing the concept of organisational learning.

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The objective of this chapter is to present a visual model representing the suggested relationships between key constructs in the field of study and associated propositions. Some of these propositions (numbers 6,7 and 8 in the next section of this chapter) test previously established relationships in a different context. Central to this study though is the establishment of new insights and applications linking leadership approach and learning in organisations. These will be elaborated upon in later parts of this chapter. These suggested new insights are not small extensions of the theory, but are an attempt to establish clearer linkages between two significant bodies of theory and research.

## **5.2 Research propositions and model.**

### **5.2.1 Proposition one.**

1. *Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will identify greater numbers of factors impacting business in the wider environment.*

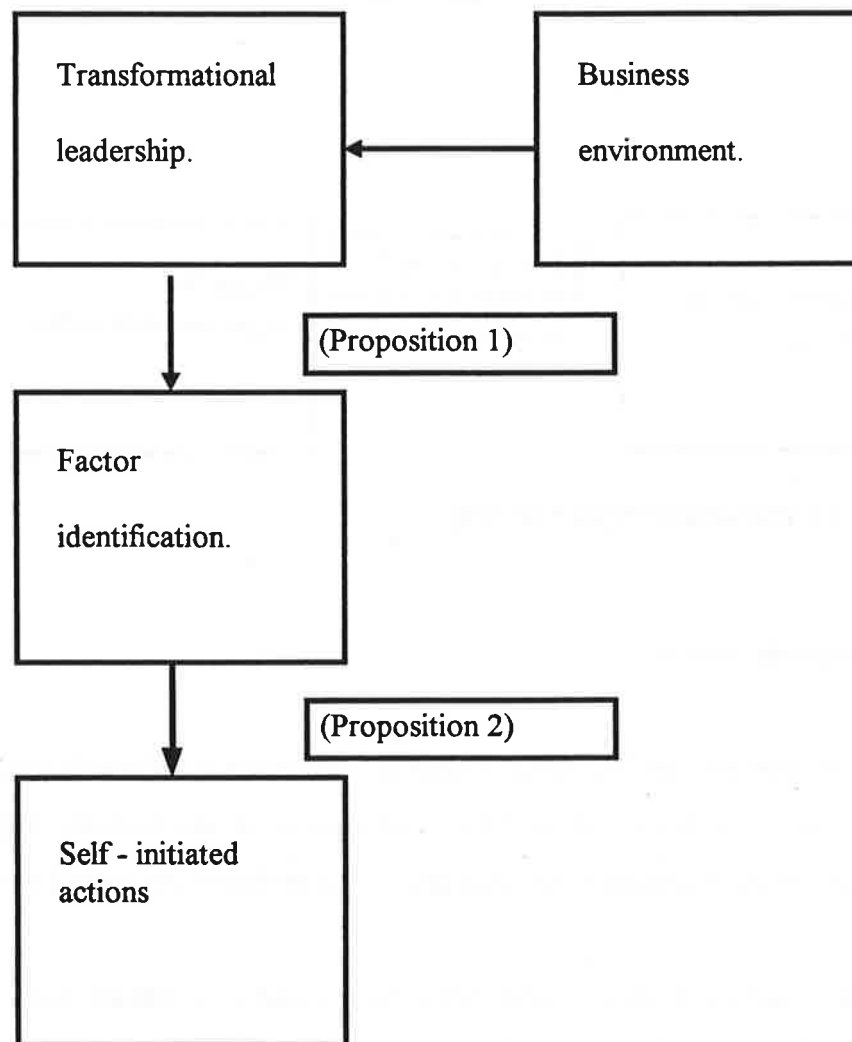
**Reasoning:** The ability to precipitate changes and to respond to unanticipated changes is a key competence for effective leadership of organisations (Bahrami, 1992). If transformational leadership is more effective than transactional leadership, then there is an expectation that the former would be more sensitive to events in the macro environment. Tichy and Devanna (1986) note that the first requirement for transformational leaders is the recognition of the need for change. Ford and Baucus (1987) note that decision makers' interpretations of events in the world are the "engine" of adaptation.

### **5.2.2 Proposition two.**

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2. *Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will take more self - initiated actions in response to their assessment of the significant factors in the wider environment.*

**Reasoning:** According to Bass (1990a) transactional leaders tend to manage subordinates by exception. Despite the fact that this management by exception dimension can be either active or passive, the strong implication is that transactional leaders are somewhat reactive in comparison with transformational leaders.

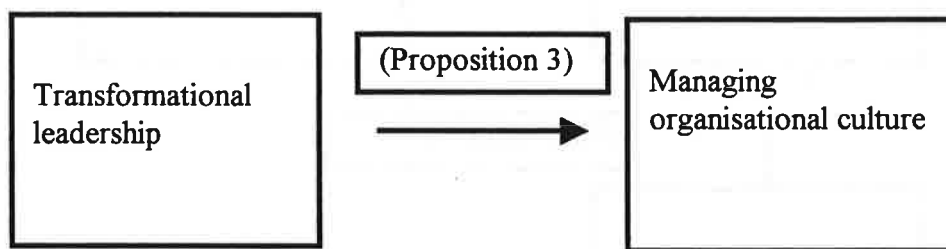


**FIGURE 5.1 PROPOSITIONS ONE & TWO**

### 5.2.3 Proposition three.

3. *Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will demonstrate a greater focus on management and influence of the organisation's culture.*

**Reasoning:** Bass and Avolio (1993) found that transactional leaders work within the existing culture, whereas transformational leaders attempt to change the culture. Tichy and Devanna (1986) suggest that transformational leaders focus upon the political, technical and cultural aspects of organisations.



**FIGURE 5.2 PROPOSITION THREE**

### 5.2.4 Proposition four.

4. *Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will focus on improving the learning capability of the members of the organisation as a means of responding to the need for change.*

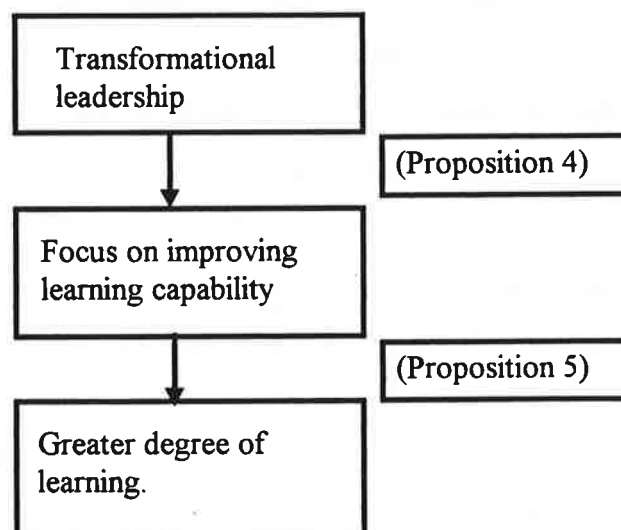
**Reasoning:** Transformational leaders have been found to facilitate and teach followers (Bass and Avolio, 1993). In addition, one of the five dimensions of transformational leadership as defined by Bass and operationalised in the MLQ 5X questionnaire is

‘intellectual stimulation’ of subordinates. The concept is discussed in chapter two. Bass and Avolio (1993) found that transformational leaders encourage followers to both develop and perform at levels beyond what they felt was possible. Another characteristic of such leadership behaviour is ‘individualised consideration’, requiring an understanding and sharing of the follower’s developmental needs. Senge (1990) states that “leaders are responsible for learning”.

### 5.2.5 Proposition five.

5. *The organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will reflect greater current levels of organisational learning than will those organisations led by more transactional leaders.*

**Reasoning:** Transformational leadership has been conceptually linked to higher levels of innovation and risk taking in organisations (Conger and Kanungo, 1987; Bass, 1985 and House, 1977). Howell and Avolio (1989) suggest that both transformational and transactional leadership independently contributes to the development of a culture and climate that is receptive to innovation and risk taking.



**Figure 5.3 Propositions four & five**

### **5.2.6 Proposition six.**

- 6. In those organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour, subordinates will demonstrate greater willingness to expend extra effort in their daily duties.*

### **5.2.7 Proposition seven.**

- 7. In those organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour, subordinates will rate those leaders as being more effective.*

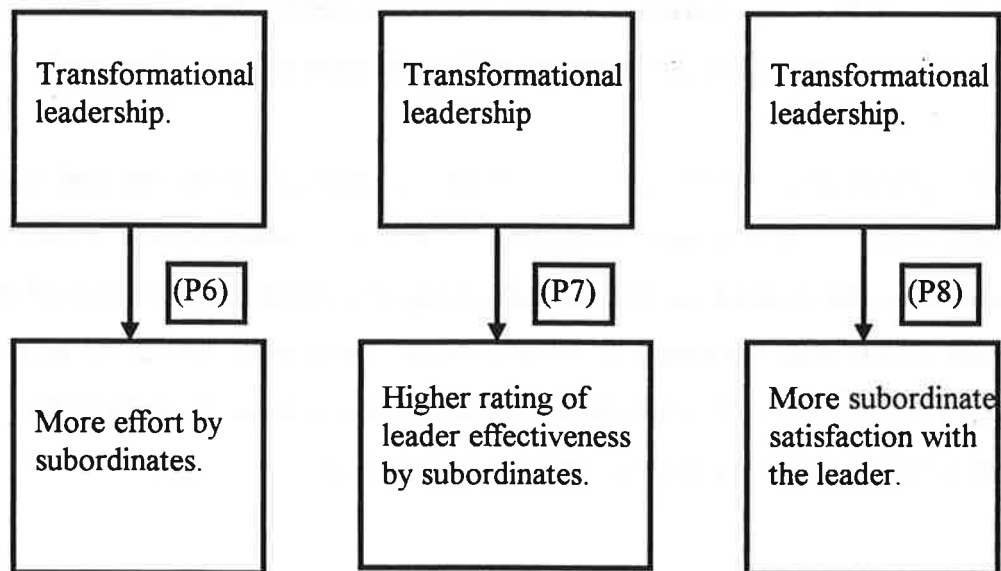
### **5.2.8 Proposition eight.**

- 8. In those organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour, subordinates will express a higher level of satisfaction with the leadership.*

**Reasoning:** Propositions 6, 7 and 8 provide for a replication of previous studies. Leadership behaviour described by subordinates on the Multifactor Leadership Questionnaire (described fully in the next chapter) has been related to various criteria of leadership effectiveness such as performance ratings and level of task commitment stated by followers (Hater and Bass, 1988; Seltzer and Bass, 1990; Waldman, Bass and Yammarino, 1990; Howell and Avolio, 1992). In these studies, transformational behaviours were normally correlated more strongly with the criteria than were the transactional behaviours. Transformational leaders have been found to elevate followers from their everyday selves to their 'better selves' (Burns, 1978). Bass (1985) found that transformational leaders motivate followers to do more than they originally expected to do. Some transactional behaviours however, were also found to be relevant for leader effectiveness e.g. contingent reward and active monitoring. This

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supports the conclusion (Yukl, 1994), that effective leaders use a mix of transformational and transactional behaviours.



**Figure 5.4 Propositions six, seven & eight**

### 5.3 Conclusion.

The research model embodies a focus upon three areas:

- **The relationship between transformational leadership, their perceptions of the business environment and actions taken in response to the environment.**

As the external business environment has been acknowledged to be of vital importance particularly with regard to the way in which organisations are required to respond to changes in the environment, it was felt that leaders' awareness of environmental factors was crucial. Knowledge of the external environment on its own was felt to be insufficient

for effective leadership of organisations. The extent to which leaders take proactive steps based upon their assessment of the environment was felt to be required for effective leadership performance.

- **The relationship between transformational leadership and their focus upon organisation culture and learning within the organisations they lead.**

Having gained an understanding of the above, the nature of the actions and steps taken by leaders needs to be examined. Therefore, the extent to which leaders focus their actions and intent upon organisation culture and learning formed an important part of the research model. In addition, the nature of actual learning taking place within organisations in the sample was investigated to determine whether there was a link between leaders' intentions with regard to learning and actual learning taking place.

- **The relationship between transformational leaders and subordinates' work effort, satisfaction and perceptions of leader effectiveness.**

The third major section of the research model replicates other studies around the world (referred to earlier in this chapter) and has to do with the extent to which transformational leaders influence the levels of satisfaction, work effort and perceptions of the leader's own effectiveness among subordinates.

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## Chapter 6

### 6 Research Methodology

#### 6.1 Introduction.

This chapter will detail the manner in which this research has been operationalised. The methodological choices taken by any researcher are crucial to the success and integrity of such research. It is therefore essential to explore the decisions made in the context of this study.

This chapter will therefore assess the debate and emerging synthesis between the two primary methodological paradigms. The reason for this is that the methodology for this research combines aspects of both paradigms. The methodology chosen for this study is best described as “post - positivist” or neo - positivist (Huberman and Miles, 1985) in the manner in which the two paradigms have been combined. The strengths and limitations of the chosen methodology will be reviewed. Thereafter, data gathering techniques will be discussed in detail, as will the sampling process and procedures, the logistics and process of data gathering and data analysis techniques employed. The strengths and limitations of the specific instruments and other data gathering techniques are discussed. A final section is devoted to providing details as to how the eight research propositions were analysed.

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## 6.2 Discussion of contrasting research methodologies.

This section will deal primarily with the distinction between the positivist approach and the phenomenological paradigm. The former term is used interchangeably with the quantitative approach, whereas the latter term is often used interchangeably with 'qualitative' research. The two generic approaches to research are discussed because this research utilises aspects of both.

It would seem that the use of either quantitative or qualitative techniques in research makes fundamental assumptions about the nature of social reality. Quantitative techniques assume that reality is objective with individuals and organisations responding to an externally imposed environment. In contrast, qualitative analysis assumes a subjectivist stance, viewing reality as the product of individual and collective interactions and perceptions. The researcher's own assumptions in regard to this research are clearly outlined in the next section.

Those researchers subscribing to the positivist approach assume that the social world's attributes are best measured through objective methods. Reality is therefore regarded as external to the researcher and as an objective entity. This perspective places emphasis upon seeking knowledge of social reality in as objective a means as possible. Easterby - Smith, Thorpe and Lowe (1991:23) suggest a number of implications of this perspective:

- The observer is **independent** upon what is being observed.
  - The choice of what to study and how to study it can be determined by objective criteria rather than by human beliefs and interests i.e. **Research can be free of values.**
  - The aim of social sciences should be to identify causal explanations and fundamental laws that explain regularities in human behaviour i.e. **causality.**
-

- Science should proceed through a process of hypothesising fundamental laws and then deducing what kind of observations will demonstrate the truth or falsity of these hypotheses - **the hypothetico deductive approach**.
- Concepts need to be operationalised in a way that enables facts to be measured **quantitatively**.
- Problems as a whole are better understood if they are reduced into the simplest possible elements (**reductionism**).
- In order to be able to generalise about regularities in human and social behaviour, it is necessary to select samples of sufficient size (**concern for generalisation**).
- Such regularities can most easily be identified by making comparisons of variations across samples (**cross - sectional analysis**).

Argyris (1993 b) suggests that the assumptions underlying empirical research “limit the researcher’s ability to discover new knowledge and increase threats to validity”. Argyris believes that the ‘defence routines’ that prevail in most organisations tend to distort or prevent information from being accurately obtained.

In the mid twentieth century, an alternative approach to research arose from a new perspective that the world and reality are socially constructed and given meaning by people (Husserl, 1946). This perspective has become known as the qualitative paradigm. Miles and Huberman (1994:1) state that “qualitative data are more likely to lead to serendipitous findings and to new integrations; they help researchers to get beyond initial conceptions and to generate or revise conceptual frameworks”. This implies that researchers operating within this paradigm are required to be flexible in their approach, rather than merely setting out to prove or disprove a set of hypotheses.

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Guba and Lincoln (1989) regard qualitative inquiry as fundamentally opposed to scientific inquiry. They argue that qualitative evaluation is inherently social, political and value oriented and, as such, incompatible with a scientific approach. This rather radical perspective is not shared by many of the other advocates of qualitative research. Patton (1990:90) argues that “the primary concern of qualitative inquiry is with research strategies, rather than paradigms”. He asserts that it is meaningless to argue which of the paradigms within the broad qualitative perspective “is right, best or most useful, because the answer depends upon what the researcher wants to do”. Patton does not regard truth as the absolute goal of qualitative research. He argues that what is true depends upon one’s perspective. He also suggests that researchers should seek ‘pragmatic validation’ of results, rather than some illusory certainty. He recommends that this validation should be based upon the relevance to and use by the intended audience. Patton is convinced that qualitative methods are able to stand on their own as “reasonable ways to find out what’s going on in programmes and other human settings”, (1990:90). In comparing and contrasting quantitative and qualitative approaches, he emphasises the latter’s flexibility rather than standardisation, understanding rather than generalisability and a commitment to many valid perspectives, rather than a single truth.

Patton’s own perspective is that the cornerstone of qualitative analysis is accurate description, as opposed to the interpretation thereof. He cautions against using qualitative methods for causal interpretation, arguing that it is a holistic process that seeks illumination and understanding, rather than a linear process in search of causal prediction.

Miles and Huberman are labelled ‘positivists’ by Guba and Lincoln (1989), but themselves equate ‘neopositivism’ with realism. The former believe that social phenomena exist not only in the mind but in the objective world. Miles and Huberman (1994) acknowledge that making sense of data is a construction, for both researchers and informants, rather than something that is ‘discovered’. They also acknowledge that there are many different ways in which qualitative research may be conducted. Tesch (1990) identifies 27 different qualitative strategies based upon research purpose. This indicates the subtle distinctions

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between and the large number of perspectives that do exist within the phenomenological paradigm.

Despite the large variety of techniques and approaches available, Miles and Huberman (1994) identify recurring features of phenomenological research:

- Qualitative research is usually conducted through prolonged contact with a real life situation. These contacts are usually 'normal' in that they are reflective of the everyday life of individuals, groups and organisations.
- The researcher's role is to gain a systemic and integrated overview of the context under study.
- The researcher attempts to suspend his/her own preconceptions about the topic and to capture data on the perceptions of local actors through a process of attentiveness and empathetic understanding.
- A major task of the researcher is to explicate the ways people in different settings come to understand, account for, take action and otherwise manage day - to - day situations.
- Relatively little standardised instrumentation is used at the outset. The researcher is the main 'measurement device' in the study.
- Most analysis is done with words. The words are organised in order to permit the researcher to contrast, compare, analyse and form patterns from them. Hamblin (1974) asserts that "the only way to describe the whole truth is to describe it in words".
- Many interpretations of the material are possible, but some are more compelling for theoretical reasons or on the grounds of internal consistency.

According to Miles and Huberman (1994), qualitative data has a number of strengths. These include:

- The focus on naturally occurring, ordinary events in natural settings i.e. They provide insight into real life situations.
-

- The 'richness' and holistic nature of qualitative data. The data typically is able to reveal and shed light upon complex issues.
- The fact that data is normally gathered over an extended period of time assists with the study of any process.
- The emphasis of qualitative data upon people's 'lived experience' enables researchers to locate the meaning people place upon the events and structures of their lives.
- Qualitative techniques also tend to be flexible, enabling methods to be varied as a study proceeds. The fact that many studies can turn out to be somewhat different to that originally envisaged, makes this last point a telling strength.

Miles and Huberman (1994:5) note, that the "lines between epistemologies have become blurred". They observe that many 'postpositivists' are now utilising aspects of the phenomenological approach and that a number of phenomenologists now utilise predetermined conceptual frameworks and instruments..".particularly when dealing with multiple cases".

### **6.3 The researcher's assumptions, perspectives and research choices.**

Patton (1990:39) concludes that "all kinds of variations, combinations, and adaptations are available for creative and situational responsiveness". He suggests that, for those researchers whose primary goals are practical, concern with paradigms can be dangerous because this can lead to a loss of situational appropriateness. He further states (1990:90) that in real world practise, methods can be separated from the epistemology from which they have emerged.

The researcher has eschewed an orthodox uni - dimensional methodology in favour of appropriate methodology. The decision to do so included the following assumptions and views:

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- That both paradigms have a contribution to make to research of this nature. Lee (1991) suggests that both perspectives are an attempt to add “layers” of understanding without necessarily contradicting one another.
- That the most appropriate means of gathering data about leadership, culture and learning requires a broad range of respondents within the organisations in the sample. It was assumed that subordinates’ views of their leadership would be the most accurate way of classifying leadership behaviour and learning within these organisations.
- That the nature of the leaders’ thinking, behaviour, intentions and the motivation behind these were best operationalised through the use of interviews. i.e. it may be possible for subordinates to classify visible leader behaviour, but the motives and assumptions behind these behaviours also required exploration. In addition, leaders may have intentions that may not yet have been realised within the organisation for any variety of reasons.
- A key assumption was that qualitative data analysis methods are more appropriate for detailed analysis of human behaviour and thinking in complex social settings. It has been suggested (Bhaskar, 1978) that the study of processes underpinning social phenomena is best achieved through qualitative techniques. It could be argued that the conceptual and research areas relating to leadership, culture and organisational learning are, to a large extent, socially constructed and therefore best observed through phenomenological methods.

Patton (1990) argues that the primary criterion for judging methodological quality should be the appropriateness of the methodology. He suggests that the emphasis should be upon making sensible method decisions given the purpose and nature of the enquiry and the resources available to the researcher. A combination of qualitative and quantitative approaches was advocated by Fielding and Fielding (1986).

The researcher’s primary concern was in achieving an appropriate balance of rigour and realism. The concepts of transformational and transactional leadership and of

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organisational learning were operationalised through an essentially positivist approach via the use of validated questionnaires. On the other hand, information pertaining to the way in which leaders in the sample interpreted and related to their business environment was also required. Standardised open ended interviews with the respective leaders were utilised in order to gather systematic and "rich" information from these executives. Interviews have been described as conversations with a purpose (Jones, 1985a; Schmitt and Klimoski, 1991). This aspect of data gathering was therefore based on a more qualitative approach.

The interviews took the form of structured open-ended interviews. According to Patton, (1990), this type of interview aims at taking each respondent through the same sequence, asking the same questions. This interview is best used when it is important to minimise the variation in the questions posed to the respondents. Patton (1990) maintains that the researcher is able to obtain systematic and thorough data for each respondent by controlling and standardising the open-ended interview. He does note however, that this technique does reduce flexibility and spontaneity.

Two model of research strategy are referred to in order to analyse the methodological strengths and limitations of this research. These are Yin's (1994) typology of different research strategies and the Runkel and McGrath (1972) "three horned dilemma".

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Strategy	Research Question	Required control over behavioural events?	Focus on contemporary events?
Experiment	how, why	yes	yes
Survey	who, what, where, how much	no	yes
Archive analysis	who, what, where, how many	no	yes/no
History	how, why	no	no
Case study	how, why	no	yes

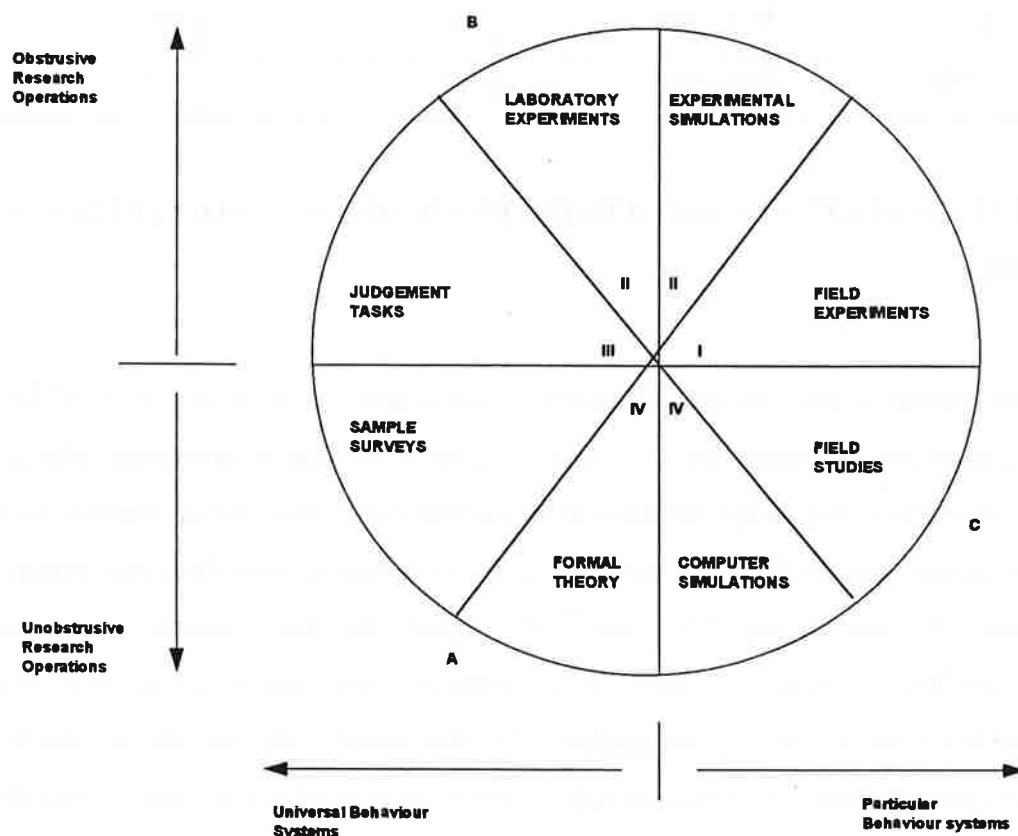
**TABLE 6.1 RELEVANT SITUATIONS FOR RESEARCH STRATEGIES :YIN (1994)**

In the context of Yin's model, this research would seem to combine aspects of the survey and case study strategies. The case study strategy is relevant to answering **why** and **how** the executives in the sample behaved in the manner in that they did or intended to behave. Case studies typically rely on multiple sources of evidence, with data converging from a process of triangulation. The case study aspect therefore, assumes an explanatory function. Yin (1994) suggests that the case method is best used in contemporary situations where behaviours cannot be manipulated. He also asserts that case studies can be based upon a mix of quantitative and qualitative evidence and data. Yin believes that the most important contribution of case studies is in their ability to explain causal links in real-life situations and that many of these situations are too complex for experimental or other more formal strategies.

The evidence from multiple cases is often considered more compelling than single case studies and the overall study is therefore regarded as more robust (Herriott and Firestone, 1983).

The survey aspect of this research related to the need to quantify aspects such as transformational leadership and the extent of learning taking place within the sampled organisations. This was required in order to answer questions related to **who, what and how much**.

Referring to Runkel and McGrath's (1972) "three horned dilemma" of research, the research strategy employed in this thesis is best described as a quadrant one strategy. (See the following diagram).



**FIGURE 6.1 THE "THREE HORNED DILEMMA" : RUNKEL,& MC GRATH (1972)**

The focus in this research on determining the nature of leadership and extent of learning taking place amounted (in the context of Runkel and McGrath's model) to an examination of particular behaviour systems in a relatively unobtrusive way.

Typically, a quadrant one research strategy emphasises realism of context for the research while sacrificing some precision in control and measurement of variables, and to a lesser degree, generalisability with regard to other populations of business executives. As is suggested by Runkel and McGrath, researchers should address these dilemmas directly. The research strategy was therefore designed in order to ensure that potential problems relating to precision of measurement and generalisability were minimised. As will be discussed further in this chapter, this was achieved primarily through triangulation and a pilot of the research design prior to full implementation of the research strategy.

In the researcher's view, the concepts of transformational leadership and learning were measured as precisely as the instruments purporting to measure those constructs would allow.

The relative strengths and limitations of the research approach described in this section are fully detailed in the next section.

#### **6.4 Strengths and limitations of the chosen approach.**

The chosen methodology has enabled the researcher to source rich, detailed data for each executive and his organisation. The varied sources of data have also enabled some triangulation, allowing comparison of findings and impressions from different sources.

The researcher believes that a further strength of the methodology lies in the potential to explain, rather than merely measure leader behaviour, motives and intentions. Leadership is a complex issue. Therefore, the greater the level of insight into the holistic nature of

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leadership displayed by the sampled executives, the more useful the research. This level of insight was particularly useful when tackling the final chapter on the interpretation of the findings. The explanatory ability of the data was thus of paramount importance.

From a traditional research perspective, the “obvious” limitations of this research would seem to relate to the inability to confidently generalise the findings to other industries, and settings, particularly as the sample size was fairly small.

Eisner (1991) regards generalisation as a form of transfer of learning and views statistical generalisation as a special case of this broader process. He suggests that it is primarily the readers who determine whether the study generalises to their situation. He states (1991:205) ..”generalisations are tools with which we work and are to be shaped in context. They are part of the substantive exchange between professionals with their own expertise, not prescriptions from the doctor”.

Patton (1990:156) believes that “the most powerful findings in basic science are those findings that are universal”. He does note however, that applied researchers typically seek more limited generalisations and that the findings of applied research are often limited to a specific time, place and condition. He regards the purpose of formative evaluation as “to improve human intervention within a specific set of activities at a specific time for a specific group of people. He observes that qualitative researchers tend themselves to be sceptical of generalisations based upon statistical inferences drawn from data collected.

Cronbach (1975) has concluded that social phenomena are too variable and context bound to permit very significant empirical generalisations. Cronbach (1975:122) goes on to say “instead of making generalisations the ruling consideration in our research, I suggest that we reverse our priorities. An observer collecting data in a particular situation is in a position to appraise a practise or proposition in that setting, observing effects in context. When we give proper weight to local conditions, any generalisation is a working hypothesis, not a conclusion”.

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One of the researcher's primary considerations was the accurate measurement and detailed description of events, behaviours and actions within the research setting. This was felt to be more important than the ability to confidently generalise across other settings. The issues surrounding leadership, culture and learning are sufficiently complex to suggest that the results of any research with an explanatory emphasis in this combined area would be difficult to generalise to other settings.

Cronbach (1980) suggests that research designs should attempt to balance breadth and depth, realism and control, so as to allow "reasonable extrapolation". The term extrapolation is important as it would seem to suggest modest speculation on the likely application of findings in similar settings and contexts. The different data gathering techniques employed in this study and associated different analytical techniques employed are an attempt to achieve the balance suggested by Cronbach.

A further possible limitation lies in the fact that the researcher was aware of the transformational leadership profiles of each executive when the coding of the interview transcripts was undertaken, thereby building in potential bias in the coding process. The manner in which this potential bias was obviated is discussed later in this chapter.

According to Runkel and McGrath's model, the precision in the control and measurement of key variables is a potential limitation of this type of research design. The constructs of transformational leadership and learning were measured as accurately as the instruments allowed. The reliability and validity of the two instruments are discussed later in this chapter.

Miles and Huberman (1994) do acknowledge that the reliability and validity of qualitative findings can often be brought into doubt when viewed from a traditional 'quantitative' perspective, (Kirk and Miller; 1986; Ginsberg; 1990). Miles (1979, p.591) goes on to say that "the most serious and central difficulty in the use of qualitative data is that methods of analysis are not well formulated. For quantitative data, there are clear conventions the

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researcher can use. But the analyst faced with a bank of qualitative data has very few guidelines for protection against self - delusion, let alone the presentation of unreliable or invalid conclusions to scientific or policy making audiences. How can we be sure that an 'earthy', 'undeniable', 'serendipitous' finding is not, in fact wrong"? Hamblin (1974:72) believes though that "it is necessary to adopt a much more discursive, exploratory approach to evaluation, in which we are not trying to prove anything, but simply to find things out". He calls this the 'discovery' approach to evaluation.

Miles and Huberman (1994) do however, acknowledge that qualitative analysis techniques have advanced significantly since the late 1970's. These advances are in no small part due to their own efforts. Recent texts have seriously addressed the problem of analysis (Goetz and Le Compte, 1983; Bogdan and Biklen, 1992; Miles and Huberman, 1994). The qualitative analysis techniques utilised in this thesis will be outlined later in this chapter.

A significant limitation in the research design is the factor of time. It is likely that time is a moderator of leader initiatives within their organisations. Those leaders who have been in their positions for longer are likely to have had more opportunity to bring their intentions into fruition and vice versa. Certainly, the dimensions of organisational culture and learning within organisations are acknowledged as being elements that are not achieved or effected overnight (Jones, 1995; Kotter, 1995). The fact that this study has not been conducted on a longitudinal basis ensures that time's effect as a moderator can only be speculated upon. A decision was taken not to undertake a longitudinal analysis due to the high levels of change that the industry is faced with. It was reasoned that this level of change may lead to significant restructuring and possible job changes for the executives in question. This assumption proved to be accurate as three of the ten executives in the sample are no longer in the same position one year after the initial data gathering process. The relative longevity of each sampled executive and the implications thereof is commented upon in the next chapter dealing with data analysis.

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It has been found that the influence of a leader on the culture of an organisation is dependent upon the stage of the organisation's development (Yukl, 1994). As all of the organisations surveyed were, at minimum, mature organisations, it is likely that the executives sampled were constrained to an extent by the prevailing culture.

The strengths and weaknesses of the specific data gathering techniques are more fully discussed in the following section.

## **6.5 Data gathering techniques utilised.**

### **6.5.1 Bass's (1985) multifactor leadership questionnaire.**

This questionnaire was chosen for the research due to the fact that it has been specifically designed to determine the existence of transformational and transactional leadership in the respective leaders' behaviours (Bass, 1985b). The multifactor leadership questionnaire (MLQ) has been in use since 1985. A copy of the questionnaire used is included in appendix A. The version of the questionnaire used in this research is termed the MLQ 5X. This is the latest version of the questionnaire. Avolio, Bass and Jung (1995) believe that by measuring a broader range of leadership factors, the new MLQ 5X increases chances of tapping into the full range of leadership styles that can be exhibited in different cultures and settings. The 5X refers to the fact that the measured dimensions of transformational leadership have been increased to five. These were fully discussed in chapter two and are:

- Attributed charisma.
  - Idealised influence.
  - Inspirational leadership.
  - Intellectual stimulation.
  - Individualised consideration.
-

The questionnaire also measures the 3 dimensions constituting transactional leadership. These are:

- Management by exception (passive).
- Management by exception (active).
- Contingent reward.

In addition, the questionnaire contains a number of outcome items measuring subordinates' satisfaction with the leader in question, willingness to work hard and their perceptions of the leader's effectiveness.

Two versions of the MLQ 5X form were used. The first, the **self rater form** was completed by the executives in the sample. The second, the **rater questionnaire** was completed by sampled subordinates of the executives. The only difference between the two versions is that the self rater questions ask the executive to comment upon his own leadership style. The rater questionnaire require the subordinates to comment on their views of their leader's style.

The dimensions constituting transformational and transactional leadership are discussed fully in chapter two.

#### **6.5.1.1 Previous validation of the MLQ 5X.**

Previous validation of the instrument has been facilitated by the extensive use of the instrument in research (Kuhnert and Lewis, 1987; Hater and Bass, 1988; Bass and Yammarino, 1988; Howell and Avolio,1989). Research conducted and summarised by Avolio, Bass and Jung (1995) produced the following validity for the MLQ 5X questionnaire.

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Validation measure	Item/Factor measured	Score
Reliability (Alpha)	Rater questionnaire	0.74 – 0.94
Overall fit with the full nine factor model	Goodness of fit index.	0.91.

**TABLE 6.2 SUMMARIZED RESULTS OF RESEARCH : BASS & AVOLIO (1995)**

Confirmatory factor analysis (CFA) was used to test the convergent and discriminant validities of each MLQ 5X scale by examining the structural relations among latent constructs. A series of CFA's were then run to determine whether the data were best represented by several different competing models. These included a global (one) leadership factor model; a 2 correlated factors model (active versus passive leadership); a 3 correlated factors model (transformational, transactional and non - leadership) and a 9 correlated factors full range of leadership model (Attributed Charisma, Idealised Influence, Inspirational Management, Intellectual Stimulation, Individualised Consideration, Conditional Reward, Management by Exception Passive, and Management by Exception Active). The latter model achieved the highest goodness of fit index of .91, exceeding the recommended cut - off of .90.

### **6.5.2 Pedler, Burgoyne and Boydell's 11 factor learning company questionnaire.**

This questionnaire is based upon the 11 factor model of organisational learning discussed in chapter four. There is a dearth of questionnaires measuring the broad concept of learning within organisations. This questionnaire was chosen to measure learning as the model examines a large number of influences upon learning in organisations. The questionnaire is included in appendix B.

Unlike Bass's MLQ 5X instrument, the learning company instrument has not yet been extensively used in research. A consortium of "learning companies" in the UK was established in 1992. One of the aims of the consortium was to develop a relevant questionnaire. A questionnaire was developed by Pedler, Burgoyne and Boydell and completed by 161 respondents from 10 companies within the consortium.

The instrument contains 55 items, 5 for each of the 11 dimensions of organisational learning. These 11 dimensions are as follows:

- Reward flexibility
- Formative accounting and control
- Informating
- Internal exchange
- Participative policy making
- Enabling structures
- Learning approach to strategy
- Boundary worker as environmental scanners
- Self development for all
- Learning climate
- Inter - company learning

The 5 items for each of the 11 factors were randomly distributed throughout the questionnaire.

De Villiers and Boshoff (1995) applied this questionnaire in 32 South African organisations in order to determine the extent to which respondents considered their own organisations to conform to the eleven characteristics stated in Pedler et al's model. Factor analysis replicating the eleven factor structure as identified by Pedler et al showed that the item loading pattern over the eleven factors bore no resemblance to the item distribution as identified by Pedler et al. De Villiers and Boshoff concluded that the construct

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measured by the instrument is unidimensional in that a one factor solution explained 61.2% of the variance and that all items loaded 0.3 or higher on the one factor identified.

De Villiers and Boshoff (1996) furthered their analysis of the instrument. Their further findings were that:

1. The instrument has high internal consistency (reliability) - although this is to be expected of a relatively long instrument.
2. The instrument has useful predictive or discriminatory ability. It distinguished adequately between respondents from different economic sectors, organisations and in different levels of employ.

De Villiers and Boshoff caution that further work should concentrate on the content validity of the instrument. They suggest that the instrument may well be measuring an organisation's learning predisposition, but may not provide much insight into the nature of learning itself within organisations.

### **6.5.3 Structured open ended interviews.**

Structured open ended interviews have demonstrated their effectiveness in previous studies using a similar process (Harris and Sutton, 1986; Isabella, 1990). This technique provides rich data while allowing for some flexibility in probing the responses of the respondent. It also avoids the limitations of close ended questions which can restrict the respondent's potential range of answers (Jick, 1979).

Structured interviews were conducted with all of the executives comprising the sample. The objective of the first section of each interview was to source banking executives' awareness of and sensitivity to the macro business environment in which they and their organisations function. The first half of the interview dealt with the executive's perceptions

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and opinions of change occurring outside the organisation and the manner in which these changes were impacting upon the operation of their particular bank. In order to access the relevant opinions, the initial questions were based upon the PESTLE (political, economic, social, technological, legal and ecological) analysis of a business environment. This particular framework was chosen as it was believed it provided a sufficiently broad framework for the executives to comment on all aspects of the macro environment. This method of analysis is commonly referred to in strategy textbooks as a means of analysing the wider environment within which businesses function.

Specifically, the interview questions aimed at eliciting responses on the following categories of macro factors:

- Political factors effecting the business.
- Economic factors effecting the business.
- Social factors effecting the business.
- Technological factors effecting the business.
- Legal factors effecting the business.
- Ecological factors effecting the business.

Having established a particular executive's views on the macro business environment, the second section of the interview addressed that executive's current and intended responses to that environment. The latter section therefore dealt with issues largely internal to the organisation. These include the executive's intended actions over the medium and long term, his attempts to influence the culture of the organisation, the techniques employed to overcome resistance and his vision for the future. In summary, the latter half of the interview attempted to investigate the leader's behaviours and actions taken within the context of the changing macro - environment.

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The questions providing the framework for the interview are included as appendix C. The researcher was guided, rather than constrained by the questions and when unexpected, but relevant topics were raised, they were pursued (Sutton, 1987).

## **6.6 Strengths and limitations of the chosen data gathering techniques.**

### **6.6.1 The MLQ 5X questionnaire:**

The questionnaire has been widely used in research and has been validated extensively. The questionnaire has also been regularly updated as the field of leadership research has progressed. In addition, the designers of the questionnaire have published prolifically and the instrument has been used in over 200 doctoral studies world-wide (Avolio et al, 1995). The only drawback of the questionnaire is its length (88 items to be completed). In this particular research, it was evident that many of the respondents experienced “response fatigue” from item number 60 onwards. While inputting the data, it seemed that the variability in answers for items 60 onwards was significantly diminished. In addition, relatively junior managers completing an assessment of an executive in their division often felt unable to complete some of the items as their completion necessitated at least some interaction with that executive. As a result, there were a fairly large number of missing values in the responses of many junior managers.

### **6.6.2 The 11 factor learning company questionnaire.**

The strength of this questionnaire is the breadth of dimensions of learning measured and the fact that it was designed by some of the most respected consultants in the field. The broad focus of the instrument may also be regarded as a potential weakness as some critics may regard the model as unsustainable. De Villiers and Boshoff’s conclusion that the instrument represents a uni-dimensional construct was taken into account by the researcher in that the supposed 11 factors were summed to create one factor - learning.

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The quantitative analysis therefore revolved around the one factor of learning, as opposed to a reliance upon analysis of the supposed 11 factors.

### **6.6.3 The structured interviews.**

The dynamism of the open ended interview provides a face to face encounter with the respondent that obtains large amounts of expansive and contextual data fairly quickly. Because the interview establishes a personal relationship with the respondent, it facilitates co-operation from that person. In addition, the process provides the interviewer access to subtle information contained in factors such as respondent body language and use and tone of language used by the respondent.

The strength of this method was its structure, yet an element of flexibility was also possible enabling the researcher to pursue interesting avenues. The executives in the sample were not provided with any guidelines prior to the interview. Their responses to the questions were therefore “off the cuff”. It is possible that certain executives may have provided different responses had they had time to prepare for the interview. The opportunity to prepare however, may have itself biased the responses.

Jones (1985) identifies the following weaknesses associated with interviewing:

- Data can be open to misinterpretation due to cultural differences
- Data is subject to observer effects which may be obtrusive and reactive
- The process is highly dependant upon the ability of the researcher to be resourceful, systematic and honest, thereby controlling bias.

The first of these factors was not regarded as a problem in this research due to cultural similarity between the researcher and the executives in the sample. The researcher attempted to reduce bias by adopting the systematic approach to the interview described previously.

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Yin (1994) regards the strengths of the interview process as the direct focus upon the case study topic and the provision of perceived causal inferences. He suggests a number of weaknesses of this form of data gathering. These include: Bias due to poorly constructed questions; response bias; and “reflexivity” - the interviewee providing the interviewer with what he wants to hear.

## **6.7 Sampling process and procedures**

Patton (1990:169) writes that “nothing better captures the difference between quantitative and qualitative methods than the different logics that undergird sampling approaches”. The sampling approach to this study is described (using Patton’s typology) as purposive sampling. In contrast to probability sampling which enables confident generalisations to a larger population, the power of purposive sampling lies in the selection of information rich cases for study in relative depth. Within this category of sampling the sample chosen is a relatively homogeneous sample. This enables a description of the sub - group in depth. This sampling approach is similar to that described by Schatzman and Strauss (1973) as selective sampling. Strauss (1987:39) writes that “selective sampling refers to the calculated decision to sample a specific locale or type of interviewee according to a preconceived, but reasonable set of dimensions (such as time, space, identity) which are worked out in advance for a study”.

### **6.7.1 The Sample frame.**

The research setting comprises the four major retail banking groups within South Africa. These include Standard Bank, First National Bank, Amalgamated Banks of South Africa (ABSA) and Nedcor. The banking sector has historically been regarded as conservative, yet the industry is facing a number of significant changes. These include:

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1. Greatly increased international competition since the advent of the new South Africa.
2. Pressure on margins from trade union groupings and consumers alike.
3. The requirement to become involved in nation building, including providing finance to sectors previously regarded as unacceptably high risk.
4. Increased demands for higher levels of service and flexibility.
5. New technologies with the potential for changing the fundamental nature of the industry.

The above scenario presents an industry required to make significant adaptations in order to survive and remain profitable. The challenges to the leadership in the industry, the need to change cultures and to become more responsive to increasingly hostile markets through learning and other forms of adaptation is evident.

The sample frame for this research is constituted of senior executives in the retail banking sector in South Africa. Senior executives are defined for the purposes of this study as those executives in line management positions who are at general manager level and above. The reasons for these choices are as follows:

- Line managers were preferred due to their direct influence within the organisation. Many executives in staff or advisory positions tend to have less direct impact within such organisations.
- It was felt that a certain minimum level of seniority within the hierarchy was required in order for sampled executives to be concerned with the kinds of issues that were raised in the interview process.

In keeping with the purposive, homogeneous sampling technique, all of the executives were white males, between the ages of 45 - and 60. All of them had spent the greater part of their career in the banking industry in South Africa.

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## **6.7.2 The sampling process.**

### **6.7.2.1 Sampling of executives.**

The process used for sampling the executives differs to the process utilised for their subordinates to be discussed later in this section. Due to the relatively small number of executives functioning at this level, and given the seniority of such persons, it was therefore decided to approach executives through business contacts. Once contact had been made, executives were generally prepared to telephone their counterparts within the organisation and assist with the arrangements. The standard letter used to obtain access to executives is included as appendix D.

A total of ten executives constituted the final sample. Both the sampled executives and their organisations are coded from this point onwards in order to respect the confidentiality of the strategic issues raised. These included:

- Three general managers from Bank number two. These executives report to the managing director of the retail bank and the sample constituted 25% of general managers with line responsibility in the bank.
  - Two executives from Bank four. Given the flat structure within this bank, the chief executive banking division and his head of personal banking were included in the sample. They constituted 40% of the potential sample within the bank.
  - Three executives from Bank three. These executives were both regional general managers and together constituted 40% of the total sample size within the bank.
  - Two executives from Bank one. These executives were both deputy operating officers and they comprised 30% of the total sample size within the bank.
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**Table of executives sampled.**

Company	Executive code	Title	Age	Length of time in position.	Completed MLQ questionnaires returned	Completed 11 factor questionnaires returned
C1	E1	Deputy Operating Officer	47	2 years	23	23
C1	E2	Deputy Operating Officer	56	3 years	14	15
C2	E3	General Manager	45	6 months	35	35
C2	E4	General Manager	52	6 years	22	22
C2	E9	Deputy General Manager	61	10 years	23	22
C3	E5	General Manager	52	5 years	28	27
C3	E6	General Manager	59	3 years	28	28
C3	E8	General Manager	48	3 years	29	12
C4	E7	Chief Executive	57	2 years	31	34
C4	E10	General Manager	53	4 years	18	17
				<b>Total</b>	251	235

**TABLE 6.3 DETAILS OF EXECUTIVES SAMPLED**

As can be seen, ages of the respondents ranged from 45 - 61. All of the respondents were white South African males, most of whom had worked in the financial services sector for the majority of their careers. Of particular relevance was the fact that, with the exception

of executive three, all of the executives had been in their current positions for 2 years or longer.

#### **6.7.2.2 Sampling of subordinate respondents.**

As was discussed earlier in this chapter, the two questionnaires (MLQ 5X and Learning company questionnaire) were completed by subordinates of the executives sampled. These subordinates included all managerial staff in line management positions reporting to the executive at branch manager level or above.

Most of the executives sampled had approximately 50 - 60 line managers reporting to them. Although structures varied across the banks, each executive typically had 3 - 4 regional or area managers who in turn had 45 - 55 branch managers (in total) reporting to them. Other than excluding non line managers from the sample, all managers as described above were targeted as respondents. Therefore all of these managers received the two questionnaires to complete. An overall response rate of 56% was achieved for the MLQ 5X questionnaire. The response rate for the 11 factor learning company questionnaire was 53%.

### **6.8 Logistics and process of data gathering.**

There were a number of stages in the data gathering process.

#### **6.8.1 Scrutinising the questionnaires.**

This was done in order to determine whether there would be any problems with their use in South African conditions. In the case of the MLQ 5X instrument, there were no

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changes made to any questions pertaining to the actual factors measured. There were, however, changes made to the respondent instructions. These changes included: a reference to a suggested time for completing the questionnaire; a commitment that all responses would be anonymous; reassurance that there are no right or wrong answers and an appreciation of the respondent's efforts in completing the questionnaire.

The 11 factor questionnaire was altered more significantly in that although the respondent instructions were changed in a similar manner to the enhancements made to the MLQ 5X questionnaire, wording of some of the items was also altered. Biographical questions were streamlined and the wording changed to reflect South African terminology. One of the 11 factors in the questionnaire is termed "informating" by the questionnaire designers. Of the 5 questions purporting to represent this factor, the original items all referred to "I.T." This abbreviation was changed to the fuller version of "Information Technology" in order to ensure that there was less chance of confusion in answering the question.

The questionnaire instructions are included with the questionnaires in appendices A and B.

### **6.8.2 Piloting the data gathering process.**

This was conducted in a self - contained division of one of the banks. This included both the interview with a senior executive and the dissemination of the 2 questionnaires to his subordinates. This exercise was aimed at familiarising the researcher with the interview situation and with providing a feel for the manner in which the executive's subordinates responded to the questionnaires.

The pilot interview was unstructured and a review of the nature and structure of the information gleaned from this interview suggested that further interviews should be structured in order to ensure both that the executive was sufficiently guided through the process and that the interview results were more open to analysis.

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The initial process for questionnaire dissemination was that the executive's secretary would send out the questionnaires to the agreed managers and that the completed questionnaires would be sent back to her and then posted to the researcher. It was resolved that for further questionnaire dissemination, questionnaires would be accompanied by a self - addressed envelope to be returned directly to the researcher. This would help to obviate the potential for positive bias in respondent approach.

### **6.8.3 Invitations to participate in the research.**

On completion of the pilot process, a letter of invitation was sent to identified senior executives within each bank. A copy of one of these letters is attached as appendix D. The researcher then followed up telephonically with the executive's secretary in order to ensure that an appointment was made.

### **6.8.4 Interviews were conducted.**

The structured interviews lasting up to one and a half hours were then scheduled with 10 senior executives from the 4 banks. These interviews were tape recorded and then transcribed verbatim in order that the raw data could be systematically analysed (Sutton, 1987; Isabella, 1990). Despite some initial concerns over the use of the tape recorder in the interview situation, no respondent declined to be interviewed with the tape recorder present. Some of the respondents did, however, display some sensitivity to having the interview recorded. This sensitivity was addressed though providing assurances of confidentiality. Respondents were all informed that they could receive personal feedback from the interview, an offer that was enthusiastically received.

### **6.8.5 Completion of the MLQ 5X self rating questionnaire by each executive.**

The self-rater questionnaire was left with each executive in order for them to complete a self assessment of their own style. These were than faxed to the researcher.

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#### **6.8.6 Dissemination of the MLQ 5X and 11 factor learning company questionnaires to the sampled subordinates.**

The questionnaires were distributed by the personal assistants of the executives in a self addressed envelope with instructions to be returned directly to the researcher. The questionnaire instructions included a strict deadline in order to encourage a higher response rate.

#### **6.8.7 Receipt and coding of completed questionnaires.**

Upon receipt of the completed questionnaires, they were coded and input into SPSS for windows as described in the section on data analysis and techniques.

#### **6.8.8 Data analysis techniques employed.**

#### **6.8.9 Initial handling of data.**

The completed MLQ 5X and 11 factor questionnaires were coded on receipt using the codes suggested by the questionnaire designers and then input into SPSS for windows. This process was personally completed by the researcher due to the relatively small number of questionnaires and a wish to familiarise himself with the data at a superficial level.

The structured interviews were tape recorded and transcribed verbatim. After a coding process (to be described in detail later in this section), the information was then input into the Smartsurvey software package designed to aid the analysis of qualitative data.

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### **6.8.10 Broad analysis prior to focusing upon propositions.**

#### **6.8.10.1 MLQ 5X**

Most of the propositions in this thesis required that the executives in the sample were classified as relatively more or less transformational as leaders. The researcher was faced with two choices. Firstly, executives could be classified as either transformational or transactional. Secondly, the executives could be rated on their transformational ability on a scale relative to one another. Norms were available in order to make a decision on the former. It was decided however, to adopt the latter perspective. This decision was partly due to the relatively small sample size and to Bass's assertion that transformational leadership is built upon a base of transactional leadership. Most of the propositions therefore consider an executive's transformational leadership ability relative to the other executives in the sample.

Having input the coded data from the MLQ 5X, responses for the questions for the items constituting each sub - factor were summed and divided by the number of items comprising the sub-factor in order to obtain a score for each sub-factor within transformational and transactional leadership. These in turn were summed and divided by the number of sub- factors in order to obtain an overall score for transformational and transactional leadership, thereby enabling a relative ranking of the executives on the transformational scale.

#### **6.8.10.2 11 factor learning questionnaire.**

In line with De Villiers and Boshoffs' (1995: 1996) findings, all of the items within the 11 factors questionnaire were summed in order to measure one overall factor of learning. This enabled the researcher to determine which banks were experiencing relatively greater or lesser degrees of organisational learning. This process enabled the researcher to address proposition five. This approach does, however, assume that each of the supposed 11

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factors carries the same weighting or level of influence in contributing to organisational learning.

Despite the shortcomings identified in the model by De Villiers and Boshoff, the model was also used as a qualitative framework for linking the leaders' actions and intentions to aspects of the learning organisation. In the absence of any other suitable model, the titles given to each of the supposed eleven factors were used as a qualitative framework for matching leaders' responses.

A number of respondents, 19 in total (7.2% of total respondents), took advantage of the opportunity to complete the blank final page requesting any comments to be made about the issues raised in the questionnaire. These comments were integrated into the qualitative analysis required for exploration of proposition four.

In order to gain a deeper understanding of the relationships between the dimensions of learning, culture and leadership, analysis of variance was conducted. The results of the analysis were graphed in order to assist the researcher to arrive at meaningful conclusions.

#### **6.8.10.3 Structured interviews.**

The data in the study were systematically subjected to content analysis. This initially required a process of coding the interview transcripts. A second researcher provided an independent check on the accuracy of the categorisation incurred by the coding (Newton and Keenan, 1987; Werner, Bates, Bell, Murdoch and Robinson, 1992). This person was an Industrial Psychologist with a background in the use of content analysis (see James, 1983). Each initial interview transcript was independently rated by the researcher and the Industrial Psychologist, the latter having had no direct exposure to the literature and the field of study. This process resulted in the categorisation of approximately 85% of the items in the same conceptual categories. This level of agreement was regarded as

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encouraging, given that content analysis can lead to a wide range of conceptual interpretation of the data (Van Maanen, 1979).

Once a clear framework had been instituted and the list of codes established, the researcher proceeded with the systematic coding of the 10 interview transcripts. During the process, the second qualified person independently check coded interviews for which coding had been completed in order to determine any discrepancies in categorisation. Different approaches to coding were utilised in order to aid analysis. Initially, first level coding was conducted a means of summarising parts of the data. An inductive approach was used, based on Strauss's (1987) approach. Data was collected, transcribed from the Dictaphone and then reviewed by paragraph. Beside each paragraph, labels were generated, so creating a list of labels. These labels were then summarised onto a qualitative data category card. The coding process was concluded when all categories appeared to be saturated and patterns started to emerge. (Appendix E contains the full list of codes utilised).

Pattern coding was then used to group the summaries of data into themes and constructs. According to Miles and Huberman (1994), pattern coding is the qualitative researcher's equivalent to factor analysis. Themes were generated by looking for recurrent threads or phrases within the first level codes. According to Miles and Huberman (1994), the nominalist equivalent of internal validity is that of credibility. This was enhanced through pattern matching using the software, and also through triangulation. Other aspects of validity such as transferability, dependability and confirmability were addressed through triangulation, purposive sampling and presenting details of the methods used in the research.

On completion of the data coding, the interviews and codes were entered into a computer software programme enabling the retrieval, searching and management of data (Seidel, Kjolseth, and Seymour, 1988). Coded descriptions and the data were then examined to

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determine patterns, themes, trends and processes that could account for the presence, strength and relationship of categories.

The use of the Smartsurvey software enabled the researcher to overcome typical problems with qualitative data, namely that the data is dispersed over many pages of text, and it can often be bulky and poorly ordered. Smartsurvey enabled the researcher to compare different data set easily and also to produce reports directly from the data, thereby enhancing the credibility of the conclusions drawn.

In addition to coding of the transcripts, further analysis was facilitated by the process of **memoing**. Glaser (1978:83-84) defines memoing as "the theorising write up of ideas about codes and their relationships as they strike the analyst while coding.....it can be a sentence, a paragraph, or a few pages.....it exhausts the analyst's momentary ideation based upon data with perhaps a little conceptual elaboration". The memo's were often written about significant comments made during the interviews, comments that did not lend themselves to coding. Often, however, these comments provided useful insights into an executive's way of thinking.

Final detailed content analysis was conducted in order to draw and verify the necessary conclusions. A number of analytical tools were selected from Miles and Huberman (1994) and these included:

- **Searching for and reviewing the plausibility of certain statements.** Plausibility per se is best used as a pointer to a potential conclusion and as a stimulus for the researcher to go down a certain path.
  - **"Clustering".** This required an inductive formation of categories and an iterative sorting of codes into categories. As Le Compte and Goetz (1983) stated "which things go together and which do not?".
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- **"Factoring"**. Miles and Huberman (1994) suggest that the process of reducing the bulk of data and creating abstract patterns is the equivalent of the quantitative researcher's factor analysis. All coded statements per executive were reviewed and grouped into proposed factors. Comments on the factors were written, a process similar to the memoing undertaken at an earlier stage of the analysis. In many cases, the initial conclusions drawn from the memoing were corroborated by the later process.
- **Noting relationship between certain variables**. This process was conducted after clustering and factoring. Glaser (1978) asserts that "the researcher is making theoretical statements about the relationship between concepts, rather than writing descriptive statements about people". The result of this process was a cognitive map for each executive. The map presented diagrammatically, each executive's approach to leading his organisation. These are included in appendix F.
- **Counting**. The reduction of certain leader behaviours and actions into codes and the subsequent counting of frequencies thereof provided for quantitative analysis of aspects that started as purely qualitative in nature.

## 6.9 Analysis by proposition.

**Proposition one** - *"Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will identify greater numbers of factors impacting business in the wider environment."*

Having determined each executive's transformational and transactional leadership profile and relative ranking on transformational leadership, this proposition required an integration of the quantitative data with qualitative data sourced from the interviews.

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The number of distinct factors in the wider environment identified by each executive as impacting upon the business were distilled through the coding processes outlined previously. These were correlated with each executive's transformational leadership score using the Pearson correlation coefficient.

**Proposition 2** - *“Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will take more self - initiated actions in response to their assessment of the significant factors in the wider environment”.*

The number of self - initiated actions were determined through coding responses to the question “given the factors identified in the wider environment, what have you or are you doing in response to these?” The number of actions per executive was then correlated with each executive's transformational score.

**Proposition 3** - *“Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will demonstrate a greater focus on management and influence of the organisation's culture.*

The Smartsurvey software was used to create a theme, ‘focus on culture’. The software allowed the creation of AND/OR themes. In the former, all words comprising the theme have to be present for a sentence or paragraph to qualify. In the latter case, any one (or more) words comprising the theme are sufficient to highlight a portion of text as qualifying to fit the theme. In order to ensure that any relevant comments were highlighted for further analysis, it was decided to use latter method of theme creation. The terms comprising the culture theme are listed below. They were chosen to fit with Schein and Hatch's models of culture described in detail in chapter three..

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**Focus on culture.** This theme included the following key words:

Values, beliefs, vision, philosophy, assumptions, informal, grapevine, climate, motivation, resistance, persuade, influence, change, paradigm, socialisation, symbols, language, dress, control, alignment and transformation.

The number of culture issues identified by each executive was correlated with transformational scores. In addition, the number of cultural levers identified by each executive was correlated with transformational scores. These were obtained from the question: "given the changing environment, what levers do you focus upon internally or externally as a means of effecting change?"

In addition, qualitative "factoring" with related comments was used to gain a deeper insight into the nature of this proposition. Miles and Huberman (1994) suggest that clustering and creating themes is the qualitative equivalent of factoring.

**Propositions 4** - *"Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will focus on improving the learning capability of the members of the organisation as a means of responding to the need for change."*

As with proposition three, a theme of learning was created. The words comprising this theme were chosen to fit with Pedler et al's eleven factor theory of learning. The following terms constituted the theme:

Experiment, continuous, improvement, participative, stakeholders, information, customers, suppliers, candid, open, flexible, rewards, growth adaptation, knowledge, scanning, benchmarking, development, questioning, differences, diversity, career, responsibility and ideas.

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Extracts from the theme were analysed per executive. In addition, any comments made by respondents in the open question at the end of the questionnaire were included for consideration. This enabled the researcher to determine which of the 11 factors in the Pedler et al model were dominant in each of the executive's minds.

**Proposition 5** - *“The organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will reflect greater current levels of organisational learning than will those organisations led by more transactional leaders.”*

The analysis for this proposition is purely quantitative. Leadership scores from the Multifactor Leadership Questionnaire were correlated with an overall learning score determined by summing the 11 factors in the learning questionnaire.

In addition, one way ANOVA was in order to assess whether there was a significant difference between the companies in the sample in terms of their influence over learning taking place within those organisations.

**Propositions 6, 7 and 8.**

**Proposition 6** - *“In those organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour, subordinates will demonstrate greater willingness to expend extra effort in their daily duties”.*

**Proposition 7** - *“In those organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour, subordinates will rate those leaders as being more effective”.*

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**Proposition 8** - *“In those organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour, subordinates will express a higher level of satisfaction with the leadership”.*

The analysis for these three propositions is similar and purely quantitative in nature. The responses to the MLQ 5X were merged into one file in order to calculate correlations between transformational leadership scores and the three outcome measures i.e. satisfaction, effectiveness and extra effort.

It was felt that the responses of subordinates to different leadership styles was important. For example, one may ask whether it matters if subordinates are more satisfied with transformational leaders. It is suggested that the way in which subordinates feel about their leaders will influence their motivation levels and is likely to influence the climate within which the leader and his/her team functions.

## **6.10 Conclusion.**

The research methodology for this work is designed to source relevant data in the most appropriate way. The environmental awareness and sensitivity of the sampled executives plus their related actions, thoughts and behaviours within their own organisations were key dimensions requiring attention. In addition, an assessment of each leader’s behaviour and tendencies and a comment on the extent of learning taking place within each organisation was required.

In order to meet these needs, a combination of research approaches was used. The combination chosen enabled accurate measurement of the leadership and learning dimensions. A focus upon realism and the nuances of each leaders’ accounts of their own behaviours and intentions, whilst allowing for some triangulation, was implemented through the structured interviews.

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The result was a relatively large body of data available for analysis for each executive sampled. This data included subordinates' perspectives and the executives' own perspectives on a variety of issues.

The techniques chosen with which to analyse the data sources were primarily quantitative. Where qualitative analysis was used, it was applied in the Miles and Huberman tradition, the pair being regarded as the most scientific of the advocates of the qualitative approach. The qualitative data analysis procedures proved to be by far the most challenging and thought provoking for the researcher, thereby expanding the researcher's insight in the area of study. This proved to be a very rewarding experience.



## Chapter 7

### 7 Data Analysis

#### 7.1 Introduction.

As the analysis of many of the propositions requires an integration of both qualitative and quantitative data, the data analysis chapter will combine both types of data, rather than addressing their analysis in separate chapters. The nature of the propositions tended to require less detailed analysis of the questionnaire data and a more detailed analysis of the data gathered from the interviews.

Given that many of the issues in this research were of a strategic nature, maintaining the confidentiality of responses from the various executives and other respondents within the four banks was essential. Each company and each executive was coded and referred to by that code in the analysis. E 1 - 10 are the executive codes and C 1 - 4 are the company codes.

In order to ensure that the analysis is more accessible to the reader, each proposition is analysed separately thereby ensuring a focus on the issues pertaining to each proposition. Prior to doing so, however, initial analysis was required in order to determine the relative rankings (in transformational leadership terms) of the executives constituting the sample.

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## 7.2 Preliminary analysis

### 7.2.1 Determining relative transformational leadership rankings.

As most of the propositions required relating the sampled executives' transformational scores with other aspects of the research, it was necessary to determine each executive's overall transformational score.

Descriptive statistics revealed the following for each executive:

Executive	Company	Transformational Score	Relative ranking -1 is the highest rank
E1	C1	2.94	6
E2	C1	2.72	9
E3	C2	3.19	4
E4	C2	2.28	10
E5	C3	3.39	2
E6	C3	2.97	5
E7	C4	2.89	7
E8	C3	3.40	1
E9	C2	2.75	8
E10	C4	3.20	3

**TABLE 7.1 RELATIVE RANKING OF TRANSFORMATIONAL SCORES**

According to established norms for transformational leadership (Avolio, Bass and Jung, 1995), the four executives with the highest transformational scores fall within the 70<sup>th</sup> – the 90<sup>th</sup> percentile range. The next group of five executives are within the 50<sup>th</sup> to the 60<sup>th</sup>

percentile. The lowest ranked executive, who could be regarded as an outlier, but was not, is at the 30<sup>th</sup> percentile.

Although the subtleties of each executive's approach to leadership will be explored later, this analysis provides us with an overall transformational score per executive sampled.

### **7.3 Analysis of proposition one.**

#### **7.3.1 Proposition one.**

1. *Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will identify greater numbers of factors in the wider environment impacting business.*

#### **7.3.2 Analysis.**

The tools for analysis of this proposition are:

- Correlations using the transformational scores stated in table 7.1 with
- Frequencies of identified environmental issues distilled from qualitative coding of the interviews.

Analysis for this proposition required the coding of all responses in the semi-structured interviews regarding questions 1 - 8. These questions were:

- What recent political changes are impacting upon the business and how?
  - What recent economic changes are impacting upon the business and how?
  - What social trends are impacting upon the business and how?
  - What recent technological changes are impacting upon the business and how?
  - What legal changes are impacting the business and how?
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- What environmental changes are effecting the business and how?
- Which of the above changes are having the greatest effect and why?
- Looking ahead over the next few years, are there any additional changes that are likely to impact significantly upon the business?

The statements made were coded using the process described in the previous chapter. Thereafter, the frequency of relevant coded statements was determined. The coded responses were divided into two sections:

- Firstly, the total number of relevant coded statements of environmental issues.
- Secondly, the number of categories of codes within which these statements were grouped.

This distinction was made due to the possibility of an executive identifying a large number of very similar issues in the environment. Conversely, an executive may identify a relatively smaller amount of issues in the environment but those issues identified may be spread across a larger number of categories i.e. political, economic, social etc.

Both the total number of relevant issues and the number of categories within which these logically grouped were then correlated with the executives' transformational score in order to determine the efficacy of proposition one (see appendix G).

The qualitative nature of the responses is also interesting. The number of issues identified under each question area (political, economic, social, technological, legal and environmental) were identified in order to look for patterns and other insights. In addition to this, each executive's responses were categorised by the researcher in terms of whether they addressed short term (one year time horizon), medium term (2 - 5 year time horizon) or long term (longer than 5 year time horizon) environmental concerns. This analysis is included in appendix K.

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### **7.3.3 Results.**

Transformational leadership scores correlate at 0.3704 ( $p = 0.292$ ) with the number of different categories of environmental factors identified and at 0.3458 ( $p = 0.328$ ) with the total number of issues identified within these categories.

These results do not support proposition one. There would appear to be no clear link between the extent of transformational leadership in this sample and knowledge of and sensitivity to broad environmental factors impacting the business.

The categorisation of each executive's responses into short, medium and long term provided little further insight into the sampled executives' awareness of the broader environment. There were no significant correlations between transformational leadership and the three categories. Of interest, however, is that of the total responses categorised, only 11 fell into the category of long term considerations. This amounts to only 3.5% of the total responses and indicates a lack of long term focus among those executives sampled, irrespective of their transformational rating.

### **7.3.4 Preliminary discussion.**

The findings suggest that there is no significant difference between the transformational and less transformational leaders in the sample with regard to the number of issues that they identify in their business environment. It is quite possible that the volume of information freely available to executives creates a relatively common awareness of and sensitivity to the broader business environment. Many of the factors identified could be described as "common sense" and therefore known to anyone with access to newspapers and television.

The number of environmental factors identified under each of the 6 headings was interesting. Not surprisingly for South Africa, political factors dominated. Economic,

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social and technological factors grouped together with similar frequencies and very few legal and ecological issues were regarded as important by the executives sampled.

**Issues identified per executive, per category**

	<b>E1</b>	<b>E2</b>	<b>E3</b>	<b>E4</b>	<b>E5</b>	<b>E6</b>	<b>E7</b>	<b>E8</b>	<b>E9</b>	<b>E10</b>	<b>Total</b>
<b>Political</b>	10	18	11	12	18	13	4	20	8	16	<b>131</b>
<b>Economic</b>	10	3	7	8	9	6	8	7	5	5	<b>68</b>
<b>Social</b>	10	4	6	8	16	9	1	6	9	5	<b>72</b>
<b>Technological</b>	5	7	5	9	8	11	13	10	2	10	<b>80</b>
<b>Legal</b>	2	2	1	6	2	5	5	2	2	3	<b>30</b>
<b>Ecological</b>	1	1	2	1	3	3	0	1	2	0	<b>14</b>

**TABLE 7.2 MACRO QUALITATIVE FACTORS**

It was evident that each organisation's particular circumstances determined, to an extent, the executives' focus on the environment. This issue was raised in chapter one regarding assumptions made and potential limiting factors in the research. One would expect executives in South Africa to have a significant focus upon political issues. This was the case. However, bank C1 had particular political problems due to its alignment with the previous government. Relative to the other executives sampled, the two executives in bank C1 (E1 and E2) identified a greater number of political issues impacting upon their business. E6 in bank C3 identified a larger number of ecological concerns due to the fact that his region has a significant dependency upon farmers among the client base. E7's bank is a leader in smart card and internet banking technology. His bank's technological focus is reflected in his emphasis upon technology.

It would be interesting to determine whether executives in other countries place such a heavy emphasis upon political factors. For example, executives in Europe may identify and emphasise social or other factors more so than political factors.

Many of the environmental factors identified by the executives in the sample were opinions of trends, making it difficult to ascertain which of the executive's opinions were more correct or accurate.

## **7.4 Analysis of proposition two.**

### **7.4.1 Proposition two.**

*Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will take more self - initiated actions in response to their assessment of the significant factors in the wider environment.*

### **7.4.2 Analysis.**

The techniques required for analysis of this proposition are:

- Correlation of transformational leader scores with
- The number of self and other-initiated actions taken by executives and derived from qualitative coding of interview transcripts.

The analysis required for this proposition was based on information gleaned from the following questions in the semi-structured interviews:

- As the leader in your strategic business unit, what have you already done in response to these changes?
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- What actions have you decided to take over the next few years?

Responses to these questions were coded with the researcher firstly distilling actions taken and then identifying which of those actions were self - initiated and which were initiated by others. This led to the creation of the codes SI (self initiated) and OI (actions initiated by others, often the executive's superiors) -see appendix H.

### 7.4.3 Results.

Transformational leadership correlates at 0.6244 ( $p = 0.054$ ) with the number of self - initiated actions taken by the executives in the sample and -0.3437 ( $p = 0.331$ ) with the number of actions initiated by others (typically the executives' superiors in their divisions).

The qualitative data does indicate though that there are nuances that are worthy of further exploration. Of all of the self - initiated actions taken, there is a clear linkage between the nature of these actions and the leader's style. The relatively less transformational leaders tended to take more transactional actions and vice versa. Of all the executives in the sample, executives 5, 6, 7, 8 and 10 took self - initiated actions that would qualify as transformational (table 7.3).

The following taxonomy was used to characterise executives' actions as either transformational or transactional:

- **Transactional.** Those actions that were conditional in nature; actions aimed at maintaining the status quo; short term actions; actions aimed at achieving expected performance and actions taken from a paternalistic or autocratic perspective.
  - **Transformational.** Those actions that are innovative, longer term in their orientation, that aim at breaking with the past, that aim at achieving higher than expected performance and that develop followers to be more autonomous.
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The work of Bass and Avolio (1990) and Yukl (1994) was used to construct this taxonomy. In the analysis contained in the following table, transactional actions are coded as 1 and transformational actions are coded as 2.

Of further interest is that the nature of self - initiated actions taken by executives in the same banks and often responsible for different regions within the same business were, in many cases, totally different.

<b>Executive</b>	<b>Nature of actions taken – transformational or transactional</b>
E1, C1	Restructured (1)
E2, C1	Opened new offices (1), creating ownership through empowering (2) and building relationships with new politicians (1). Significant culture oriented initiatives were initiatives by his superiors.
E3, C2	Arranged communication forums (1). Significant culture oriented initiatives were initiated by his superiors.
E4, C2	Changed branch managers (1), driving customer service (1).
E9, C2	Reviews to improve IR situation (1).
E6, C3	Trying to develop leadership (1), some symbolic behaviour (2), improved communication (1). His focus on developing leadership is transformational in intent, but transactional in execution.
E8, C3	Widespread focus on culture and performance. He identified 15 self - initiated actions, the majority of which fall into category 2. As stated in analysis of the following proposition, there is some doubt as to his in - depth understanding of transformational processes.
E5, C3	Widespread focus on culture and performance. He identified 19 self - initiated actions, the vast majority of which fit into category 2.
E7, C4	Working with consultants (2), bringing in new blood in order to change the culture (2), communicating vision (2).

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E10, C4	Working on new structures (2), educating staff (2).
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**TABLE 7.3 SELF-INITIATED ACTIONS TAKEN****7.4.4 Preliminary discussion.**

This finding is extremely interesting in that the results of the correlation enable one to be confident that proposition two is, in fact, true for this sample. In addition, the inverse relationship between transformational leadership and the number of actions initiated by others, although not significant, supports the main finding.

The findings also suggest that transformational leaders do rely less on others for decisions and prompting to take action. Transformational leaders may well be more proactive than others.

The qualitative analysis however, identifies a qualifier for proposition two. That is, while transformational leaders would seem to take more self initiated actions in response to the macro environment, not all of the actions taken are transformational. A number of actions tended to be transactional. This would seem to lend support to Bass's (1985a) assertion that transformational leadership is build upon a transactional base. There is an indication though that the relatively more transformational leaders did take more transformational actions. Executives 8, 5, and 6 were ranked number 1, 2 and 4 respectively on the transformational dimension and did demonstrate actions of a more transformational nature.

The specific nature of actions taken with regard to influencing culture and stimulating learning are analysed in propositions 3 and 4.

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## **7.5 Analysis of proposition three.**

### **7.5.1 Proposition three.**

*Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will demonstrate a greater focus on management and influence of the organisation's culture.*

### **7.5.2 Analysis**

The analysis for this proposition required:

- Correlating transformational leadership scores with
- Statements by the sampled executives identified as representing a focus on management of organisation culture.
- Qualitative factoring and associated memoes (detailed in the previous chapter)

The questions in the semi structured interviews pertaining to this proposition were:

1. Given the changing environment, what levers do you focus on either internally or externally as a means of effecting change?
  2. How do you take decisions?
  3. How would you describe your management style?
  4. Is there a tendency toward complacency within the organisation?
  5. What do you do to avoid complacency within the organisation?
-

**Step one:** As with previous propositions, the responses to these questions were coded for analysis. All responses per executive that indicated a focus upon cultural issues and the management thereof, were included in the analysis. The number of cultural responses identified per executive were correlated with each executive's transformational scores.

**Step two:** The qualitative "factoring" approach suggested by Miles and Huberman (1994) was undertaken. This provided the ability to analyse each executive's responses and action in greater depth. The theme of 'focus on culture' was created in the software. All sentences including words in the theme or related issues were then identified for each executive. The researcher then analysed each sentence to determine what the respondent was saying and then grouped these into a number of 'factors' for each executive. This number and each executive's demonstrated understanding of cultural and change issues were placed in a scatterplot described in figure 7.4. The researcher evaluated each executive's response in terms of the breadth of perspective, understanding of the complexity of culture and cultural change and the evident thinking and planning of actions to bring about change. The result of this process was a set of comments or summary 'memoes' (Glaser, 1978) for each executive (See appendix I).

Additionally, the factoring process was used to create a hypothesised leadership model for each executive. This model provided a visual summary of the qualitative analysis process. These models are included in appendix F.

### **7.5.3 Results.**

The Pearson correlation coefficient was 0.5888 ( $p= 0.07$ ) between transformational leadership and the number of coded statements per executive representing a focus on culture. This is significant at the 10% level, but not at the 5% level.

The summarised memoes resulting from the qualitative analysis are as follows: (further detail is provided in each executive's 'leadership model' in appendix F.

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➤ Executive 1's bank has already undergone a merger and blending of cultures in the past few years. E1's focus is primarily upon strategy and on achieving this through a new brand based structure. He believes that the bank's strategic context is changing incrementally. While he appears to realise the importance of staff alignment with strategy, he provides little indication of how to do so. Structure appears to be all important, with some reference to utilising reward systems to achieve change. Having restructured the bank into brands, little consideration seems to have been paid to the manner in which each brand may require different styles and cultures for success. The cultural dimensions associated with creating new structures appeared to have escaped his attention.

➤ E2's past experience of change appears to have sensitised him to cultural issues. He is very aware of the need to change from an administratively oriented culture to a business driven/sales oriented culture. This in itself is a significant target to aim for. His perspective of a business oriented culture is limited however, in that he does not clearly consider what is required to ensure that people at all levels think and act in a businesslike way. His awareness of the importance of cultural issues then, is high. His stated actions to ensure a focus on and influence of culture are few. Staff are accorded the right to express discontent, but this is a corporate policy, not his own initiative. He speaks of the need for staff to feel ownership, but mentions no means of achieving this. His view of empowerment is conditional. Given his lack of identified insight into the how of culture change, one gets the impression that he will make little progress toward meeting his target.

➤ E3 feels that he is a product (and to an extent a prisoner) of the prevailing culture which he acknowledges is restrictive. His mode is primarily efficiency orientated, meaning that his actions tend to be incremental managerial steps, as opposed to transformational in nature. He does not manage upwards, but functions purely in the role of a link or passive conduit. He functions within the prevailing culture. His

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attempts to influence culture are extremely limited. His extensive and interesting use of metaphor could possibly be usefully channelled to achieve more effective leadership.

➤ E4's style is to focus on the here and now. His approach is primarily reactive as he views his role not as a designer, but as an implementor of strategy and policy. He stated explicitly that he believes that it is impossible to get staff and service right at the same time. This sense of giving up would tend to militate against the achievement of anything out of the norm (including culture change). He places significant emphasis on the process whereby he and his team make decisions, but does not focus on the implementation of decisions. His style is autocratic and he 'forces' decisions through the system. As an autocrat, he has great respect for his own superior's authority and will attempt to change if his superior requires this. However, he requires his subordinates to fit with his style. Any change is achieved through using the 'stick'. Significant emphasis is placed upon the manner in which decisions are taken. His approach is to gather extensive data and evidence and to consult extensively prior to making a decision. The consultation however, tends to be limited to his peers and possibly superiors. He needs proof of an idea's merit before he will allow it. This is an obvious hindrance to creativity and learning within his area.

➤ E5 has a clear view of the desired future state of the organisation. This is his vision. He views change as a process and is acutely aware of culture's role as a facilitator or inhibitor of change. He has created a set of models and processes with which to influence the culture. There is a high level of congruence between the way he views people and the way in which he leads them. His management of the culture is active and inspired. He identifies and discusses insightfully a number of techniques for managing the culture of his business.

➤ E6 understands the power of symbolic action as a leader. He believes that staff need to be "happy" in order to perform. His is a fairly paternalistic approach that may mitigate against challenging and stretching staff. Happiness is viewed as something that

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the leader can confer or bestow - primarily through communication. He believes that the culture can be changed through various “drives” and this implies a temporary perspective. It also implies the view that culture can be driven to change. The leadership tool that he relies upon primarily is informal communication. He demonstrates little understanding of the subtleties of managing and influencing culture.

➤ E7 has a clear vision of what the bank should look like in order to remain competitive. His primary focus is on influencing his top team and achieving leadership leverage throughout the organisation in this manner. This implies that members of his team assume the leadership role and influence of the culture. Judicious influence of the culture through importing new skills and perspectives is a clear strategy of his. He is firmly of the opinion that the culture needs to change in order to meet the needs of the future. He has a vision of the future culture and this revolves around the fact that the culture should encourage business - minded people at all levels.

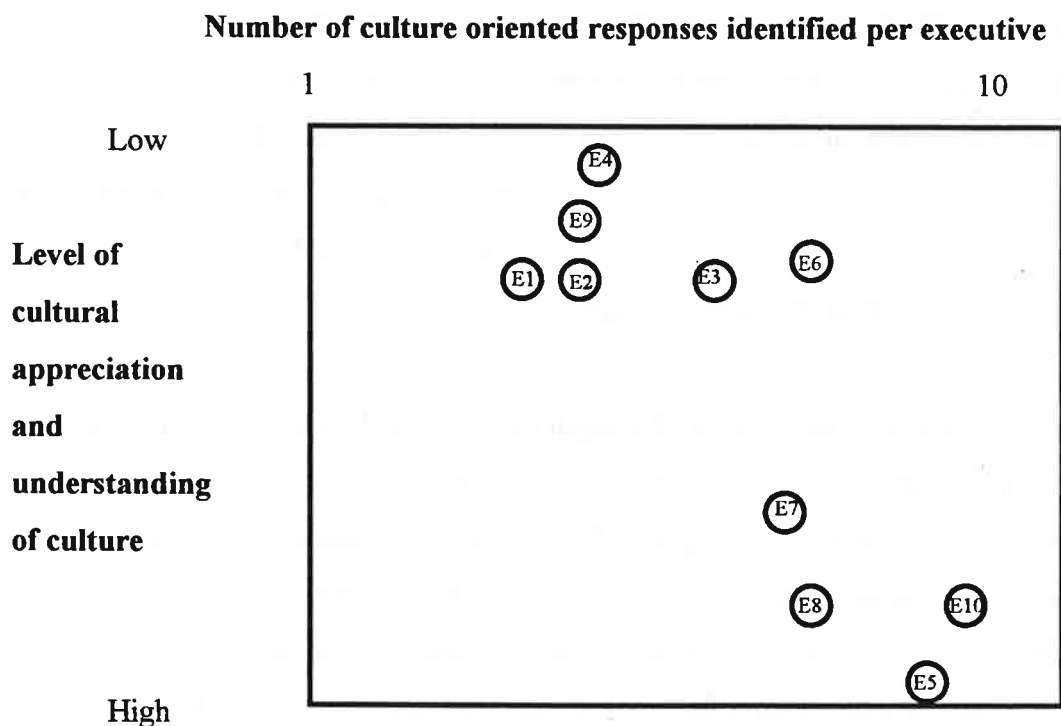
➤ E8 shows a very strong awareness of cultural issues, possibly because this bank’s culture is regarded as a strength. An example cited is that the culture enables the bank to attract the highest calibre people in the industry. While he mentions that his actions are always looked at in terms of their possible impact upon the culture, he recognises the reciprocal influence exerted by the culture. His stated actions to change or influence the culture do not provide much indication of the forces and subtle processes required to do so. There would appear to be a tendency for E8 to use current management “fads” to achieve his aims.

- E9’s perspective on managing the organisation is deeply paternalistic. His view is that his individual actions as the leader can change the culture and he has little concept of change as a process. In his opinion, he can “push” for certain improvements. He has obviously not considered creating a “pull” for change within his area. He seems to be fully aware of culture’s role as an inhibitor of change, quite possibly due to the fact that that his ‘push’ style is likely to increase resistance within the culture. His actions
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to influence culture rely primarily upon regular communication of his own desires and intentions through a variety of forae.

- E10 is one of the few executives sampled who grasped the process nature of culture and its change. He realises that the bank's strategy will only be achieved if the change process is appropriately designed and managed. A key intervention appears to be the recruitment of new people who do not fit the current culture and in allowing staff at all levels the opportunity to contribute to and critique the intended change process. His endorsement of risk taking and experimentation indicates an open - mindedness not found among many of the other members of this sample. He frequently mentioned the 'conditioning' required in order to ensure that staff are receptive to and ready for change. He is also very aware of the manner in which new structures can influence and shape the development of culture in a particular direction.

#### Scatterplot of factors and culture orientation



**Figure 7.1 Scatterplot of cultural factors and orientation**



There would appear to be a definite cluster of executives who combine a solid understanding of culture and its nuances with a focus on the management and influence of culture. This cluster contains executives 5, 10, 7 and 8, with executive 5 clearly the best positioned in terms of his understanding of culture and ability to influence it within his organisation. This cluster includes the three top ranked executives from a transformational leadership perspective i.e. E8, E5 and E10. There is therefore clear evidence of a positive relationship between the highest rated transformational leaders and their understanding and management of culture.

Executives 4 and 9 justify their poor transformational scores by demonstrating a limited understanding of cultural issues. The key anomalies are executives 3 and 2. Executive 2 is the second lowest rated from a transformational perspective, yet demonstrates a moderate understanding of culture and its management, possibly due to his previous exposure to cultural change on a large scale. Executive 3, on the other hand, is the fourth highest rated executive transformationally, yet demonstrates a poor appreciation of cultural issues. It is possible that executive 3's transformational score may have been overestimated by his subordinates for some reason. His ratings on other dimensions further in this chapter reinforce the view that he is an anomaly.

#### **7.5.4 Preliminary discussion.**

The scatterplot suggests that there is a small group of executives (executives 8, 5 and 10 and, to a lesser extent, 7) who do demonstrate a focus upon culture and understand its nuances and that there is a larger group who do not. The latter group is comprised primarily of executives who seem unable or unwilling to move from the traditional autocratic and paternalistic way of managing. A consistent interpretation of the qualitative analysis is that many of these executives in the sample regarded themselves as implementers and not as the architects of strategy. The implementation mentality generally

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focuses on efficiency dimensions within the organisation. The focus on implementation is really best suited to an environment that is stable. This will be discussed further in the final chapter.

The executives in the sample are products of what many of them acknowledged to be restrictive cultures, so the finding is not surprising. This provides some support for the suggestion that industries themselves tend to have certain cultures (Gordon, 1991). Many of the executives in the bottom grouping did indicate an appreciation of the role that culture can play as an enabler or inhibitor of strategy, but the extent of their insight into ways of influencing the culture was generally very poor. They generally gave very little indication that they had any competence in how to change a culture.

A limitation of this analysis is that the two axes in the scatterplot are likely to be strongly related. It is likely that each executive's demonstrated level of appreciation and understanding of culture is related to the number of culture oriented responses elicited per executive. A scatterplot with one axis allocated to transformational leadership scores and the other to each executive's demonstrated understanding of culture would have provided similar results and would have been more robust.

## **7.6 Analysis of proposition four.**

### **7.6.1 Proposition four.**

*Those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour will focus on improving learning capabilities within the organisation as a means of responding to the need for change.*

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### 7.6.2 Analysis.

The analytical tools utilised in examining this proposition are:

- Qualitative factoring and memoing in order to determine the number of learning oriented factors identified by each executive. These were matched to the Pedler et al (1991) model of learning.

The questions in the semi-structured interviews that pertained to this proposition were:

- As the leader in your strategic business unit, what have you already done in response to these changes?
- What actions have you decided to take over the next few years?
- How would you describe the organisation in ten years time?
- How do your intended actions help to achieve this?
- Given the changing environment, what levers do you focus upon either internally or externally as a means of effecting change?
- Is there a tendency towards complacency within the organisation?
- What do you do to avoid complacency within the organisation?

The Pedler et al model was used as a qualitative framework for matching each executive's responses derived from the learning theme created (see appendix J). In addition the extent to which these items met (M), partially met (PM) or did not meet (DNM) the standards described for each of the eleven aspects of the model was determined. This was in order to determine the relative quality of each executive's responses, in addition to the accurate categorisation thereof.

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### 7.6.3 Results.

#### Matching executives' responses to Pedler et al's learning factors

Learning factors	Executive's responses	Rating
<b>A learning approach to strategy</b>	<ul style="list-style-type: none"> <li>It's fairly limited I guess, in terms of real innovation and maverick type of behaviour (E3).</li> </ul>	<u>DNM</u>
	<ul style="list-style-type: none"> <li>We can't afford to make too many mistakes (E4).</li> </ul>	<u>DNM</u>
	<ul style="list-style-type: none"> <li>We've brought in a couple of senior people who came from different organisations and different backgrounds (E7).</li> </ul>	<u>PM</u>
	<ul style="list-style-type: none"> <li>The staff are going to tell us what they believe should be done through workshops. We'll then evaluate it, say its a good idea and let's do it. (E9)</li> </ul>	<u>PM</u>
	<ul style="list-style-type: none"> <li>We reward people for suggestions, depending upon what we think its worth (E9).</li> </ul>	<u>DNM</u>
	<ul style="list-style-type: none"> <li>We have a whole lot of initiatives out there which we will try with the full knowledge that some of them are not going to work (E10).</li> </ul>	<u>M</u>
	<ul style="list-style-type: none"> <li>We've formed alliances with the manufacturers, in order to better manage the market (E8)</li> </ul>	<u>DNM</u>
<b>Participative policy making</b>	<ul style="list-style-type: none"> <li>Staff at the most junior levels are going to be encouraged to put forward ideas with the promise of priority in terms of evaluation (E3). We have regular meetings with our people and we sort of brainstorm sessions (E3).</li> </ul>	<u>PM</u>
	<ul style="list-style-type: none"> <li>I've devolved certain responsibilities to certain people and I expect them to make decisions. If</li> </ul>	<u>PM</u>
		<u>DNM</u>

	<p>those decisions go wrong, I tend to jump up and down (E4).</p> <ul style="list-style-type: none"> <li>• I take opinion from the bottom, create a model, workshop it with everybody. In other words, make it transparent, so that everybody understands (E5). When it comes to strategic decisions, I involve very much a bottom up situation (E5).</li> <li>• The whole style has changed from very autocratic to a lot of people participating for the good of the region (E6).</li> <li>• We give a lot of people their heads, let them run and reward them if they succeed at the end of the day (E10).</li> </ul>	<p><u>M</u></p> <p><u>M</u></p> <p><u>PM</u></p>
<b>Informating</b>	<ul style="list-style-type: none"> <li>• We are reengineering the total admin and credit process which needs to support your sales process (E2).</li> <li>• We've enabled our branches to interpret the type of information that we get from our various data bases (E4).</li> <li>• I think the bank in its entirety has reasonably good systems to spew out information which allows you to pull levers (E6)</li> <li>• We are educating people about the business by providing much more financial information about their performance (E10).</li> <li>• We measure our intended improvements (E8).</li> </ul>	<p><u>PM</u></p> <p><u>PM</u></p> <p><u>PM</u></p> <p><u>M</u></p> <p><u>PM</u></p>
<b>Formative accounting and control</b>	No relevant responses	

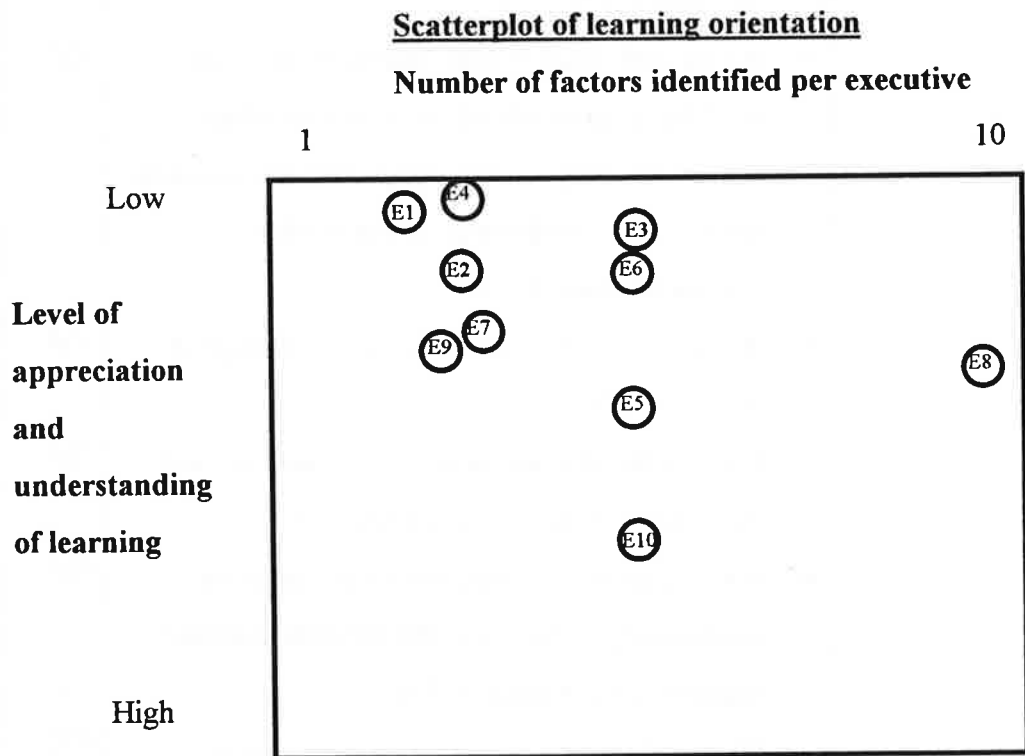
<b>Internal exchange</b>	No relevant responses	
<b>Reward flexibility</b>	<ul style="list-style-type: none"> <li>You now have an incentive scheme that goes down to the lowest employee. (E1).</li> <li>For the first time we have people earning a commission, based upon their ability to be business managers (E8).</li> </ul>	<u>PM</u>
		<u>PM</u>
<b>Enabling structures</b>	<ul style="list-style-type: none"> <li>What we need to do now is let this structure settle down and then begin to look at the smaller things which will help to improve the business (E1).</li> <li>Without a layer of management, feedback is a lot quicker, as are decisions (E8).</li> </ul>	<u>DNM</u>
		<u>PM</u>
<b>Boundary workers as scanners</b>	<ul style="list-style-type: none"> <li>We invite customers to forums, and that gives one useful insights into what clients what (E3).</li> <li>We ask customer to put us to the test, in order to see how we're shaping (E8).</li> </ul>	<u>PM</u>
		<u>PM</u>
<b>Inter - company learning</b>	<ul style="list-style-type: none"> <li>We've been benchmarking internationally. You've got to have an index thing and you've got to have visited one or two best practise outfits (E7).</li> <li>We realise that we're not up to international best practise (E10).</li> </ul>	<u>PM</u>
		<u>PM</u>
<b>Learning climate</b>	<ul style="list-style-type: none"> <li>I come across as a reasonably good listener, and I'm certainly open to suggestions (E3).</li> <li>The crux of the matter is to be an anticipatory leader whereby you collect all the intellectual leadership and anticipate what you're going to get in your maturity cycle (E5).</li> <li>I'd go into a branch and say "you've got a committee, tell us what's wrong and we'll try to fix it (E6).</li> </ul>	<u>PM</u>
		<u>PM</u>
		<u>DNM</u>

	<ul style="list-style-type: none"> <li>• I have a branch manager who is not performing. We must hold his hand now and try to improve him (E9).</li> <li>• We 're running formal programmes with workgroups to see how we can work smarter and quicker (E8)</li> <li>• The MD is a man with a lot of ideas and an empowering style, thereby training senior management (E8).</li> </ul>	<u>PM</u> <hr/> <u>PM</u> <hr/> <u>PM</u> <hr/> <u>PM</u>
<b>Self - development opportunities for all</b>	<ul style="list-style-type: none"> <li>• Last year, I exposed them all to a 2 day seminar with Clive Simpkins (E2). Two of the chaps working with me have been overseas on a study tour - I've added much to the development of my colleagues (E2).</li> <li>• We've really tried to train people to win their confidence, to excel in their branch and their community (E6). We had people sort of explaining to them about leadership - it was a whole structured course (E6).</li> <li>• We've set up a management training college at Rietfontein (E7).</li> <li>• We have to take people who show promise and move them at an accelerated rate (E8).</li> <li>• We've started educating our tellers about the essentials of the business, the different customer segments and channels (E10).</li> <li>• We spend more per head on training than our competitors (E8).</li> <li>• We push our costs up sometimes to employ future</li> </ul>	<u>PM</u> <hr/> <u>PM</u> <hr/> <u>PM</u> <hr/> <u>PM</u> <hr/> <u>PM</u> <hr/> <u>PM</u>

	managers and put them on management development programmes. This is starting to pay dividends (E8).	
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**TABLE 7.4 INTENTIONS MATCHED TO PEDLER ET AL'S MODEL**

The results of the above analysis were taken further by constructing a scatterplot designed to integrate the number of learning oriented factors identified per executive with each executive's demonstrated level of understanding of the learning organisation. The latter was primarily determined by the determined quality of their responses using the rating system used in the above analysis.



**Figure 7.2 Learning orientation of executives**



The scatterplot clearly shows the generally low level of understanding and appreciation of the concept of the learning organisation among the executives sampled. Executive 10 clearly has the best appreciation of the issues, followed by executive 5. Their transformational rankings are 3 and 2 respectively. Executive 8, ranked 1 transformationally, identifies the largest number of learning factors, but in doing so, does not demonstrate more than a moderate understanding of the concepts of the learning organisation. Executives 1, 4 and 2, ranked 6th, 10th and 9th respectively all show very little understanding at all of the concepts of learning. Once again, executive 3 is an anomaly. His transformational ranking is 4th, yet is demonstrated insight and understanding of learning is very low.

The result is a clear grouping of executives who would seem to have very little real understanding of the learning organisation in its holistic sense. Executives 10 and 5 (two of the highest ranked executives transformationally) clearly possess the deepest appreciation of the learning concept. This is insufficient to suggest however, that the proposition is true for this sample.

#### **7.6.4 Preliminary discussion.**

Of the Pedler and Burgoyne model's 11 factors, 2 did not receive any mention at all by the executives sampled. These were; formative accounting and control and internal exchange. The former lack is more easily understood as the achievement of this aspect of the model would seem to be difficult for most organisations. The lack of internal exchange indicates that there is little emphasis placed upon internal customer and stakeholder management in the banks surveyed. This would seem to be something more readily achieved. The lack of reference to this is highly surprising.

What is striking is that even where the executives mentioned elements of the model that they were addressing, in the opinion of the researcher, the majority of their intentions did

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not meet the standards as described by in model. A total of 38 relevant statements were identified and of these, 3 were rated as meeting the required standard. 8 statements did not meet the required standard at all. 27 statements partially met the standard.

These results indicate that there is a severe lack of understanding of what it takes to achieve the learning organisation among the executives sampled.

The scatterplot reinforces this general lack of understanding among the sampled executives, but does suggest that there may be a weak positive association between transformational rankings and understanding of learning. This is more evident at the extremes.

This analysis seems to indicate that very little emphasis is placed upon improving learning by executives in the banking sector. This reinforces an emerging view that many of the executives sampled regard their roles as largely operational and efficiency oriented.

A limitation of this analysis is that the two axes in the scatterplot are likely to be strongly related. It is likely that each executive's demonstrated level of appreciation and understanding of learning is related to the number of learning oriented responses elicited per executive. A scatterplot with one axis allocated to transformational leadership scores and the other to each executive's demonstrated understanding of learning would have provided similar results and would have been more robust.

## **7.7 Analysis of proposition Five.**

### **7.7.1 Proposition Five.**

*The organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviours will reflect greater current*

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*perceived levels of learning than will those organisations run by more transactional leaders.*

### **7.7.2 Analysis**

The analysis of this proposition required:

➤ Correlating transformational leadership scores with overall learning scores derived from the 11 factor questionnaire of organisational learning.

### **7.7.3 Results.**

A Pearson correlation coefficient of 0.6424 was achieved at a confidence level of 0.045. For this sample size, this relationship is significant at the 5% confidence level.

This enables one to conclude at this level of confidence, that there is a significant relationship between transformational leadership and the perceived extent of learning actually taking place within the organisations sampled.

### **7.7.4 Preliminary discussion.**

The support for this proposition suggests that aspects of transformational leadership such as intellectual stimulation may well lead to higher levels of learning within areas of the organisation run by transformational leaders.

### **7.7.5 Analysis of variance**

In order to gain insight into the manner in which the different companies in the sample themselves influenced the extent and nature of learning taking place, a one way ANOVA

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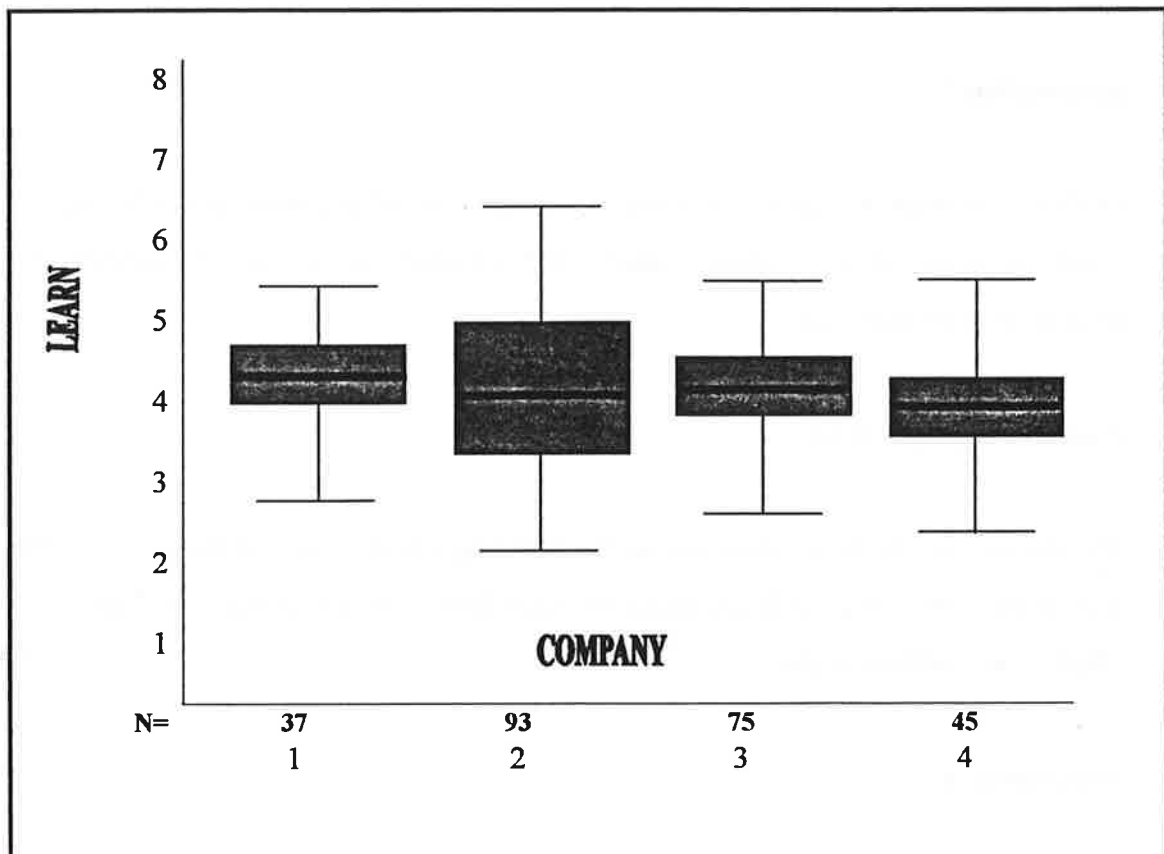
was conducted with learning as the dependent variable and company as the grouping variable. The results of this analysis are as follows:

Source of variation	Sum of squares	DF	Mean square	F	Significance of F
Main effects	1.788	3	.596	.735	.532
Company	1.788	3	.596	.735	.532
Explained	1.788	3	.596	.735	.532
Residual	183.33	226	.811		
Total	185.12	229	.808		

**TABLE 7.5 ANALYSIS OF VARIANCE – LEARN BY COMPANY GROUPING**

These results indicate that there is no significant difference between the companies in terms of their influence of the learning dimension. The following box and whisker plot demonstrates that the means for learning between the companies are very similar and the variation in the data is also very similar, with the exception of company two.

This finding contradicts what the researcher had been expecting. It was expected that the different banks would be significantly different in terms of the companies' influence upon learning as it was anticipated that the four companies sampled would have different cultures. This would seem to provide support for Gordon's (1991) assertion that the industry within which an organisation functions plays a significant role in the development of that organisation's culture and that most organisations in an industry possess similar cultures.



## 7.8 Analysis of propositions 6, 7 and 8.

### 7.8.1 Propositions 6, 7, and 8.

#### Proposition 6

*In those organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour, subordinates will demonstrate greater willingness to expend extra effort in their daily duties.*

#### Analysis of proposition 6

The analysis for this proposition required correlating transformational leadership scores with those items in the MLQ 5X reflecting subordinates' willingness to work harder.

### **Proposition 7**

*In those organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour, subordinates will rate those leaders as more effective.*

### **Analysis of proposition 7**

The analysis for this proposition required correlating transformational leadership scores with those items in the MLQ 5X reflecting subordinates' ratings of the perceived effectiveness of their leader.

### **Proposition 8**

*In those organisations run by those executives rated by subordinates as evidencing a relatively greater degree of transformational behaviour, subordinates will express a higher level of satisfaction with the leadership.*

### **Analysis of proposition 8**

The analysis for this proposition required correlating transformational leadership scores with those items in the MLQ 5X reflecting subordinates' levels of satisfaction with their leader.

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### 7.8.2 Results.

	<b>Effectiveness</b>	<b>Extra effort</b>	<b>Satisfaction</b>
<b>Transformational score</b>	-0.8488 p = 0.002	0.9282 p = 0.000	-0.8374 p = 0.002

**TABLE 7.6 CORRELATIONS FOR PROPOSITIONS 6,7 & 8**

These results indicate very strong and significant relationships between transformational leadership and the three dimensions correlated. The direction of these relationships however, is particularly interesting.

A similar analysis correlating transactional leadership with the three dimensions detected no significant relationships at all for this sample.

### 7.8.3 Preliminary discussion.

These findings differ significantly to findings in research conducted by Avolio and Bass (1988), Waldman, Bass and Einstein (1987) and Hater and Bass (1988). Their research found positive and strong correlations between transformational leadership and all three outcome measures. The finding that subordinates work harder for transformational leaders is plausible. This finding also reinforces the desirability of leading with a transformational style.

The low level of satisfaction with transformational leadership could possibly be attributed to the fact that the banking industry is so conservative. Transformational leaders may therefore make working life less comfortable for subordinates because of their penchant for introducing changes and disregarding procedures. This may manifest itself in dissatisfaction with the leader.

The results linking transformational leadership to low perceived effectiveness of the leader are difficult to explain. Subordinates may not see (or want to see) the reasons for the more transformational leaders' initiatives and may therefore question their veracity.

A further possible explanation for these unexpected results is that the scoring key in the MLQ5X changes at the point that subordinates respond to the items addressing the dimensions of perceived effectiveness, extra effort and satisfaction. The extensive prior use and validation of the instrument however, militates against this being the reason.

## **7.9 Conclusion**

The analysis of the data shows varied support for the propositions. Transformational leaders did seem to take more self-initiated actions and to stimulate learning. The "intellectual stimulation" component of transformational leadership could well explain this. Transformational leaders also appeared to understand and focus upon the management of cultural aspects at work. In addition, the outcome measures of perceived leader effectiveness, extra effort and satisfaction correlated strongly with transformational leadership, but not all in the expected direction.

There appeared to be no differences between the leaders sampled and their sensitivity to and awareness of the macro business environment. In addition, the general appreciation of, and insight into, the learning dimensions within their respective organisations was poor.

The following chapter explores the implications of these findings in greater depth.

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## **Chapter 8**

### **8 Discussion and Conclusions**

#### **8.1 Introduction**

This final chapter discusses the major research findings and the implications of these findings. In addition, limitations of the study are discussed, as are prospects and ideas for further related research. The limitations of the study were addressed in the methodology chapter. Having completed the research, the anticipated limitations can now be accurately commented upon.

#### **8.2 Major research findings**

##### **8.2.1 Findings related to leadership**

The first major finding of this research is that the concepts of transformational and transactional leadership do not appear to be useful in determining senior executives' sensitivity to and awareness of the macro business environment. The plethora of information sources available to executives in the modern business (conferences, training programmes, articles, the internet, briefing sessions etc) would seem to ensure that executives in a particular industry tend to have similar views on trends and events in the macro environment. The information sources available would seem to create a relatively common awareness of the environment. What is not clear however, is the extent to which certain executives may determine and detect more accurately the nuances in the macro environment. This study was unable to provide any real insight into this.

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Additionally, very few of the executives sampled demonstrated a long – term view of the macro environment. Their focus was dominated by short and medium term considerations. For the purposes of this research, this was defined as less than 5 years into the future. This may partly reflect the extensive changes that have taken place in South Africa and the fact that executives are largely driven by the need to respond appropriately to these changes. This raises an interesting question for consideration. Is long term thinking likely to be more evident in those business environments that are more stable or mature? There is certainly an indication in this research that the amount of change in the South African environment had influenced the time horizon of the executives' thinking and perspectives.

Although all of the executives sampled expressed views on aspects such as racial issues, it was clear that some of the executives allowed their personal opinions on race to influence their actions. Interestingly, the executives falling into this category were the less transformational leaders. This implies the ability to rise above one's own stereotypes and prejudices if one is to function effectively as a leader. In this sample, those executives who were not fully committed to the concept of affirmative action tended to adopt a paternalistic approach to dealing with black staff.

It is also clear that the nature of the macro environment determines the nature of executives' views on the environment. The political nature conducting business in South Africa was evidenced in the strong awareness among the executives of political factors and their implications. None of the executives sampled expressed a desire to try to exert any kind of influence over the macro environment. Rather, the typical response was for each executive to take the macro environment as a given and then to manage his business accordingly. Each organisation's own history and circumstances also appeared to exert an influence over the executives' perceptions of their environment.

This finding suggests that transformational leadership may be primarily an internally oriented dimension. If transformational and transactional leaders are equally aware of the

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events and trends in the macro environment, perhaps transformational leaders, despite previous research suggesting their openness to change, are only more adept at managing those aspects of leadership that are internal to the organisation.

The second area of findings related to the extent to which executives in the sample took self - initiated actions or relied upon others (normally their superiors) to take the decisions. The related findings suggest that there is sufficient evidence to suggest that transformational leaders do take more of their own decisions and actions than the less transformational leaders. A consistent finding was that the executives rated lower on the transformational dimension tended to view their roles as being implementers of decisions taken at a higher level within the organisation. Given the fact that the executives sampled were all very senior, this is rather disturbing. The finding suggests an over - reliance on top management and an underutilisation of talent at executive level. This raises the question of how executives functioning at such senior levels are allowed to 'get away' with being mere conduits for decisions taken at the very top of the organisation.

It was evident that even those executives that were rated as relatively transformational took actions that were transactional in nature. This fits with Bass's assertion that transformational leadership is built upon a transactional base. In addition, common sense would suggest that executives cannot, even in a fast changing environment only take actions that are transformational.

The lack of proactivity identified in the previous finding is carried forward in the examining of the extent to which the sampled executives focussed upon culture in their actions and intentions. Generally, the less transformational executives regarded themselves as either 'prisoners' of the prevailing culture or had very little understanding of the nuances of management of culture. It is quite likely that their lack of success in managing culture reinforced the impression that they were relatively powerless in this role.

There was evidence that past experience of a significant cultural change within an organisation equipped some of the executives with useful insights into the management of

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culture. This however, did not appear to be a sufficient condition to ensure effective focus upon and management of culture.

### **8.2.2 Findings related to organisational culture.**

The one clear strand linking those executives rated as more transformational was their ability to view the management and change of culture as a process. Those executives who were aware of this took a broad variety of actions in order to influence the culture. These actions typically ensured that the process of influencing the culture was tackled from a variety of different angles. The whole area of organisational culture has become much discussed within organisations. Most of the executives sampled used the term culture freely and regularly in their interviews. It was evident that the less transformational leaders had a superficial understanding of the related concepts in comparison with their more transformational counterparts. The more transformational leaders tended to indicate a respect for and appreciation of their organisation's culture and they seemed to be the management thereof as an integral part of their role.

The concept of transformational leadership therefore is viewed as extremely useful when examining the abilities of executives to manage and influence organisation culture.

### **8.2.3 Findings linked to learning.**

The findings related to learning were perhaps the most compelling. The introduction to this thesis indicates the importance of learning within organisations as a valid response to a changing business environment. It could even be argued that the concept of the learning organisation is so frequently referred to in academic and other texts that it is in danger of becoming a fad. Not one of the executives sampled indicated that they intended to create a learning organisation. Certainly, many of the executives were intent upon empowering their people, flattening structures, changing cultures and other perhaps more well worn approaches. There did not seem to be a clear recognition on the part of the executives of

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the link between these actions and approaches and their implications for learning by individuals and teams within the organisation.

Despite the limitations of Pedler et al's 11 factor learning model, it did provide a useful framework for the analysis of each executive's orientation towards learning. Very few of the executives stated any intentions or actions that would hold up to scrutiny in terms of the model. At best, most of the stated intentions partially met the standards in the model. Therefore, even where an executive stated various intentions or actions with regard to the broad dimensions of learning, most of these are likely to have significantly reduced impact. Many actions taken appeared not to have been thoroughly evaluated and considered prior to their implementation. There is considerable scope for education of the executives sampled in this context.

Perhaps unsurprisingly, the most obvious and easiest aspects of learning to achieve or focus upon were rated highest by respondents. The factors 'self development for all' and 'boundary workers as scanners' are examples. Most executives seemed to regard learning as something that takes place on a formal learning programme and probably in a classroom setting. Dimensions of learning such as 'participative policy making', 'inter company learning' and 'reward flexibility' which would seem to be more difficult to achieve were all rated low by respondents. It is not surprising to find participative policy making at such a low level, given the history of the banking industry as a stodgy, bureaucratic environment.

Given the above, there would seem to be a paradigm of learning currently prevailing that is very traditional in its view. This paradigm views learning from a narrow perspective. Unless this is changed, it is difficult to envisage how the industry will be able to successfully make the kinds of changes that would seem to be required.

Although there did seem to be a reasonably strong association between transformational leadership and the extent of learning taking place, it is evident that factors other than the leadership influenced the nature and extent of learning in the banks sampled. There were a

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number of similarities between the highest and lowest rated dimensions of learning between the companies. This may be due to the nature of the industry or, in fact, to the nature of management approaches in general in the country. Certainly the banking industry has come from a highly traditional past with an emphasis upon reducing risk and the potential for fraud. This has manifested in a highly controlled environment - an environment that is not conducive to learning. The new pressures experienced by the industry have led to some creative responses, with some of the more transformational leaders recognising the necessity to allow experimentation in the knowledge that waiting to iron out all of the problems in a potential new product or system will lead to deteriorating competitiveness.

### **8.3 Implications of the research**

This section is divided into the implications for each of the three main bodies of theory contained in this research: transformational leadership, organisation culture and the learning organisation.

#### **8.3.1 Implications for leadership theory.**

There would seem to be an important distinction between knowledge of and sensitivity to the macro environment and the recognition of the need to change and how this change should occur. Certainly, all of the executives sampled realised the need for change both in their divisions and the industry as a whole. The scope of this change varied considerably between executives, with the more transformational leaders viewing the required changes broadly and the less transformational leaders regarding change as being something more limited.

Bass's work (1985) in the area of transactional leadership is based upon the two aspects of leadership behaviour.... "Initiating and organising work" and "consideration for employees". The findings of this research would seem to confirm the latter, as many of the

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less transformational leaders demonstrated a strong concern for employees. In most cases, however, this concern for employees seemed to be grounded in a paternalistic approach to management. This approach seemed to be based on the assumption that people need to be looked after and to be 'happy' at work. From the paternalistic perspective, happiness was achieved by treating people 'well'. People also needed to be looked after, as the implication is that they are unable to do so themselves. In this sense, it is very different to fulfilment, which is more likely to be achieved through growing people by empowering them and developing them.

Kuhnert's (1994) assertion that transformational leaders are self - defining while transactional leaders are attuned to the rules is evident in this research. More than any other theorist, this seems to sum up the findings. Not only did the more transformational leaders take more self - initiated actions, but they also tended to formulate their own strategies. The less transformational leaders' tended to view their role as being mere implementers of strategy. What is interesting to surmise, is that this situation is only likely to be tolerated if their own immediate superiors are transactional leaders. By definition, transformational leaders intellectually stimulate subordinates and ensure that they perform beyond their own expectations. Therefore, transformational leadership may well breed transformational leadership lower in the organisation. The chairperson of any organisation therefore needs to be particularly sensitive to the leadership style of the chief executive, as this may well set the trend for the entire organisation.

De Geuss (1988) talks of top management changing their shared mental models of the company, the market environment and competitors. This was not in evidence, with the exception of executive 8 who mentioned that the executive team continually 'attacked' the status quo, including one another's perspective on the environment etc.

The researcher gained the overriding impression that, although all of the banks had strategies, the executives in the sample adopted very individualistic approaches in order to achieve these strategies. The need to agree on joint actions among the executive team

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would seem to be a prerequisite for the effective implementation of any strategy. Although the nature of the study did not provide much insight into the manner in which the sampled executives were managed by their own superiors, there did seem to be a laissez faire approach to the implementation by the executives in the sample. The one exception to this was bank 4, where the actions of the two executives sampled did display a good deal of congruence.

Another significant finding relates to how the executives were perceived by their subordinates in terms of the various output measures i.e. the extent to which they were regarded as effective, the extent to which subordinates were satisfied with working for the leader and the extent to which subordinates were prepared to expend extra effort in their daily duties. These findings were substantially different (with one exception) to findings for similar research elsewhere in the world.

While the very high positive correlation of transformational leadership with subordinates' willingness to expend extra effort in their daily duties was expected, the high negative relationship between transformational leadership and the perceived effectiveness of the leader and the satisfaction of working for that leader was unexpected. It is quite possible that the low satisfaction expressed with the transformational leadership may be due to the fact that these leaders are intent upon changing the status quo. In the traditional banking industry described previously, with historical lack of requirement to change, resistance to change is likely to be stronger than in other industries that are less status conscious and traditional. The need for transformational leadership to persuasively communicate the required changes and to overcome such resistance would seem to be pressing.

The low perceived effectiveness of transformational executives is more difficult to explain. Perhaps the subordinates of these executives do not understand what the executive is attempting to achieve through his actions. The executive may not have made his vision clear or have communicated this regularly enough for a full appreciation of his intent to be realised. The fact that many transformational actions are aimed at changing or influencing

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culture and are long term in nature may also provide some insight into the finding.

Subordinates may not feel that anything significant is being achieved despite all the extra effort and initiatives underway. Although the transformational executives may have their subordinates working much harder than previously, the subordinates may not feel that there are any or sufficient results or benefits being realised. If this were the case, then the management of subordinate expectations would seem to be crucial when initiating change.

### **8.3.2 Implications for organisation culture theory.**

An assessment of the various leaders' intentions with regard to management and influence of the culture provided interesting linkages with Schein's (1985) three level model of culture. Most of the intentions stated by the executives sampled seemed to be aimed at the middle level - values and beliefs. There was very little indication that the executives acknowledged the importance of artefacts and manifestations and their potential use in influencing culture. The use of organisational rites and rituals as potential ways of changing the culture was almost totally ignored. Equally, there was little or no awareness of the existence of basic assumptions, let alone action taken to identify and influence these. If managers are to become truly adept in the management of culture, there is a need to educate them in these subtle and (in their view), nebulous concepts. Some of the more transformational leaders had taken the effort to read widely in the field and this showed in their actions.

Furthering the discussion related to cultural assumptions, it is interesting to note that of Gibb - Dyer's (1985) taxonomy of assumptions, the prevailing assumption in the industry was that the nature of relationships are best arranged in a lineal (hierarchical) sense. There did seem to be a realisation among the executives sampled that this was no longer appropriate. Most of the executives did not realise this to be an assumption, but rather a way of doing things that needed to be changed. It is possible that the lack of realisation of how deep-rooted this assumption is would lead to problems in their attempts to restructure.

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All of the banks surveyed seemed to have 'strong' cultures. The banking industry has had a history of high levels of profit and low levels of change, due to the conservative nature of the industry. This has allowed an arrogance to develop. These strong cultures are now faced with the requirement to at least realign themselves with market needs. The extent of resistance faced by those leaders attempting to change the culture is significant. This may have contributed to the response of the less transformational leaders of working within the prevailing culture, as opposed to changing it.

### **8.3.3 Implications for learning theory**

A key implication is that despite the amount of literature and focus on the concept of the learning company, the executives in this sample did not seem to be aware of the importance of learning as a holistic concept. Many of the more transformational executives did attempt to address aspects of learning, but these attempts tended to be fragmented. If the learning company as a valid response to a changing business environment is to be realised, then executives need to be educated in ways of achieving it.

Kanter (1984) suggested that one of the factors inhibiting innovation is the existence of restrictive vertical relationships. This is borne out in one response to the 11 factor questionnaire..."heard of chimneys - this bank specialises in them. Not only along departmental lines, but also between divisions. No - one talks to anyone". This comment provides clear insight into the manner in which structure can inhibit learning and innovation.

De Geuss (1988) suggests that innovative organisations "run experiments on the margin". Although experimentation and related risk taking are not to be expected in the traditional banking sector, one of the four banks had embarked upon a conscious policy of allowing risk taking and experimentation in the knowledge that the old process of refining new products and services ad infinitum prior to their implementation in the market is no longer

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applicable. The experimentation in this particular bank was however, still restricted to senior levels of management.

All of the banks had invested heavily in information technology, to the extent that they were proud of their world class abilities in this area. This was seen as absolutely vital to their ongoing success. There was far less evident investment in human capital though. Obviously, the realisation of peoples' potential contribution still needs to be fully recognised. This is not that surprising in cultures based upon lineal assumptions. In the researcher's opinion, a genuine appreciation of the role that employees other than senior managers and above can play in the achievement of ongoing success for organisations is still to be achieved.

Wille and Hodgson (1991) state that learning organisations are obsessed with listening to stakeholders. Only one of the banks could be regarded as falling into this category. This bank was continually surveying customers and clients and acting upon the results. Consumerism has only recently become a force in South Africa. The other banks were aware of this and were now beginning to take steps to improve their service. This reinforced the reactive nature of the industry.

Pedler, Burgoyne and Boydell's (1991) model of the learning company demonstrated how low learning is on the agenda of executives in the industry and therefore how poorly equipped they are to deal with learning and related issues. Very few of the supposedly learning oriented intentions and actions suggested were of the nature that would lead to success. Two of the 11 factors did not receive any attention at all. One of these, 'formative accounting and control' illustrates how difficult it will be for any organisation to achieve the standards suggested in the model. The researcher argues that the entire accounting profession would need to change the assumptions upon which they operate in order for this factor to be realised within organisations. Perhaps a simpler model of learning could be developed and utilised for conducting further research. There is a sense

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that the 11 factor model is unattainable within the corporate sector and therefore, that it will always remain an ideal.

#### **8.4 Limitations of the study**

The debate as to the generalisability of the findings given the methodology and relatively small sample size was fairly comprehensively addressed in the research methodology chapter. The argument obviously reflects the researcher's own perspective and others may choose to differ with this position. There is no right or wrong approach, rather well and less well justified approaches. It is true that it will be difficult to generalise any of the findings in this work to other industries or settings. Given the complex social phenomena studied however, it may be equally unrealistic to attempt to generalise the findings of a purely quantitative study of these phenomena.

Certainly, the small sample size would appear to be a limitation of the study. Some of the quantitative results differed significantly when the one outlier (executive 4) was removed from the analysis. In all but one case, his removal strengthened the arguments contained in the various propositions. However, a decision was made to include this executive in the analysis, as the intent of the research was to gain insight into the nature of leadership actions, perceptions and intentions in the banking industry, rather than necessarily coming up with results that consistently supported the propositions.

Although the Pedler et al 11 factor learning model is appealing in its 'completeness', the fact that the questionnaire purporting to measure these 11 factors lacked validity is of concern. If one is to gain any reliable and in - depth insights into the aspects of the learning company, then measuring learning as a complete dimension is insufficient. An instrument must be developed that can better serve this purpose.

From a certain perspective, one of the 'limitations' of this study is that the qualitative techniques used to analyse the data were not necessarily the same as those that another

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researcher wishing to research the same area would have used. While there is likely to be more similarity in the quantitative techniques utilised in research of a similar nature, the qualitative analysis process itself is a creative process, with techniques being chosen and experimented with by the researcher. This would seem to strengthen the argument of those who argue for the importance of the generalisability of findings. This limitation, however, may also be regarded as a strength in that the process allowed the researcher to be creative and to choose the most appropriate means of shedding light upon the relevant propositions

The fact that this study was not designed longitudinally militated against further explanation of and insight into complex issues of culture, learning and change. A longitudinal study may well have provided findings on the extent to which the sampled leaders' intentions and wishes actually came into fruition i.e. the extent to which transformational leaders are more able to effectively implement their strategies and intent.

Qualitative analysis raises an entirely new set of ethical issues in that the researcher is far more at liberty (if he or she wishes) to influence the interpretation of the data and therefore the results of the research. The researcher was confronted with these 'temptations', but largely managed to avoid them (in his opinion). Ironically, the temptation to produce the 'right' or conclusive results may well stem from the quantitative perspective with its emphasis upon significance, confidence, validity and the like. It is this very tradition that may seduce the qualitative researcher into being less than objective. Having said that, there would appear to be levels of objectivity. In other words, there are likely to be times when the researcher is aware of a temptation to consciously manipulate data or the interpretation thereof. There are equally likely to be other instances where the researcher is unaware of the fact that he or she is manipulating the data.

With regard to executives' orientation to the environment, the study identified and analysed the number of factors in the macro environment that each executive identified, as a way of determining each executive's awareness of and sensitivity to the environment. It

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could be argued that sensitivity to the environment is not a function of the number of factors or issues that one identifies, but of the ability to detect the more subtle cues in the environment. It could be argued that it is the accurate identification of trends and nuances that lead to business success. This study did not focus upon the latter ability.

### **8.5 Further research**

The linkage between transformational leadership and orientation to stimulating learning within organisations is certainly worthy of considerable further research. There is an obvious need to conduct similar research in other industries and possibly between industries. The influence of the culture of the banking industry appeared to be pervasive and strong. The extent to which leaders are influenced by their own organisations' cultures and industry cultures needs far greater clarity. In addition, further research is required to determine the way in which leaders understand the learning company concept, so as to provide further insight into the way in which the learning company can be achieved.

This study demonstrated that both the industry and the country within which the industry operates exert a significant influence upon leader's perceptions and modus operandi. If industries do exert such an influence upon the way things are done within the organisations constituting those industries, then the relative influence of industries and countries would provide for interesting further research. It may well be that the banking industry around the world has tended to breed a certain kind of manager, who may not be particularly well equipped to take on the challenges of a more competitive industry and environment.

It is clear that reliable and valid instruments are required with which to measure learning within organisations. If this area of management research is to attain its full potential, development of these instruments is essential. Further research could focus upon redesign of the 11 factor learning organisation questionnaire. A suggestion would be to focus on the identification of a smaller number of factors of learning.

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The link between culture change and achieving learning needs to be specifically explored as they are such interwoven concepts. Although the literature review identified clear linkages between culture and orientation to learning, innovation and creativity, possible links between the process of culture change and the process of learning need to be explored.

In the writer's opinion, further research should focus on a more detailed examination of the learning organisation concept. Further research in the broad field of leadership, while it has been the attention of significant attention by researchers over the years, is unlikely to add meaningful value to the understanding of the learning organisation concept. Further research should rather focus on the manner in which prevailing organisational culture, systems and procedures inhibit or encourage learning within organisations. The benefits of organisations achieving the status of the learning organisation ideal are obvious. Detailed guidelines as to how to achieve this need to be developed.

## **8.6 Practical implications of the work**

In the writer's view, organisations wishing to commence the journey towards becoming a learning organisation will need to expend considerable effort on reorienting line managers away from the traditional 'command and control' mentality. Line managers at all levels within organisations need to be equipped with the necessary skills to be more effective developers of their people. Executives and managers schooled in the traditional techniques of management have little insight into and poor awareness of the concept of developing people at work. Historically, this role has been performed by internal training departments or external business schools. Recently however, there has been a growing realisation of the effectiveness of learning situated within the natural work place and of the role that the line manager can and should play to stimulate such learning.

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His new envisaged role for line managers will not happen naturally. Performance (or lack thereof) in this area must become a key criterion when remuneration of these managers is structured.



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