

University  
of Applied  
Sciences



# Transformational and Transactional Leadership:

Does it Work in Small to Medium-Sized Enterprises?

Jos Mesu

**TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP:  
DOES IT WORK IN SMALL TO MEDIUM-SIZED ENTERPRISES?**

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This dissertation is a result of the fruitful cooperation between Saxion University of Applied Sciences and the University of Twente.

ISBN 978-94-6108-472-9

Cover Design by Anouk Stouten - Factor 12

Lay-out and printed by Nicole Nijhuis - Gildeprint Drukkerijen



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**TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP:  
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**PROEFSCHRIFT**

ter verkrijging van  
de graad van doctor aan de Universiteit Twente,  
op gezag van de rector magnificus,  
prof. dr. H. Brinkma,  
volgens het besluit van het College voor Promoties  
in het openbaar te verdedigen  
op vrijdag 28 juni 2013 om 12.45 uur

door  
Joos Kornelis Mesu  
geboren op 4 december 1961  
te Oost- en West-Souburg

Dit proefschrift is goedgekeurd door de promotor, prof. dr. K. Sanders,  
en de assistent promotor, dr. M.J. Van Riemsdijk.

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# Preface

In this age of increasing specialisation the renaissance ideal of *uomo universale* seems to be an outright anachronism, part of an era long since forgotten. So, for someone like me, who once graduated as a historian - with some knowledge of economics and public administration, who had been working as a lecturer of economics and HR related topics for more than twenty years, it was quite an experience to take up a specialized PhD study in the territory of organisational psychology, which not only felt very new but also very strange, as if entering a country one never visited before. Its inhabitants appeared to prefer reading concise articles over lengthy books. The language looked familiar, but somehow the authors seemed to anxiously avoid using adverbs, adjectives or any epithetons that might make their stories exciting and colourful.

In their attempt to understand human behaviour scholars have been using different methods to find some truth in the matter. Given the nature of their data, historians usually have to rely on a qualitative approach. Psychologists, on the other hand, often use quantitative methods to get a better understanding of why humans do what they do. Thus, whilst the historian tries to fabricate a story based on an oft-times limited amount of facts, the psychologist constructs an explanatory model and strives to test this as rigorously as possible, using a relatively large dataset.

During the last four years, alongside my work for this quantitative study on leadership, I read quite some biographies about various famous people like Steve Jobs, Eleanor Roosevelt, Albert Einstein, Desmond Tutu and Aung San Suu Kyi. In retrospect, considering the different approaches I took in order to learn something about the mystery of leadership, it occurred to me that there is a lot of value in conducting impartial statistical analyses to investigate leader effectiveness and the patterns that may be discovered therein. Yet, these methods seem not enough to capture the quintessence of a subject as comprehensive and special as leadership. Obviously, quantitative studies miss the real life story. However, if one would not search for certain patterns in the separate reports on the lives of individual leaders, one could never discover which behaviours these leaders all seem to be sharing and therefore might be the common cause of their success.

So, I think it is unwise for those who engage in qualitative research to blame quantitative research for being clinical and missing out on the peculiarities of each particular circumstance or context. Neither does it make sense for those who engage in quantitative research to dismiss the results of qualitative studies as being 'anecdotal' and therefore speculative. In my view both approaches are much needed and polarisation between them should be avoided. Moreover, it might even be recommendable to sometimes combine the two in one and the same study.

Although this dissertation is full of quantitative analyses, the reader should therefore not mistakenly conclude that the author prefers a certain research method. On the contrary, I think there is much to be gained from an integrative approach by combining the best of various disciplines. As such, the renaissance ideal of broadly trained humans may not be obsolete after all.







Introduction



## 1.1 Generic Aims

At present, research on leader behaviour in small businesses is still very scarce (Eddleston, 2008, Ling, Simsek, Lubatkin & Veiga, 2008). Considering the colossal amount of studies on the subject of leadership (Bass & Bass, 2008), this is a rather astonishing fact. Even more so, if one realises that most businesses are in fact small to medium-sized enterprises (SMEs). SMEs are labelled 'micro' when they employ 0-10 people, 'small' and 'medium-sized' when they employ 10-50 and 50-250 people respectively. In the Netherlands, but also in the entire European Community 99 percent of all businesses falls into this particular category.<sup>1</sup> Taking up leadership research within these businesses is not only important because of their outstanding number, but also because they differ in many respects from their larger competitors and thus represent an essentially different research context (Delmotte, Lamberts, Sels & Van Hootegem, 2002; Koch & Van Straten, 1997). This dissertation therefore intends to fill in some of the gaps in the literature by paying attention to leader behaviour within SMEs.

In recent years the concept of transformational and transactional leader behaviour (Bass, 1985) has received a lot of attention by social scientists. Many empirical studies demonstrated that *transformational leadership*, defined as leader behaviour that inspires and motivates people to perform beyond expectation, and *transactional leadership*, defined as leader behaviour that is focused on standard performance, are related to a vast array of positive employee attitudes and behaviours in large organisations (Bass & Bass, 2008; Bass & Riggio, 2006; Judge & Piccolo, 2004). However, as argued by a great number of scholars, SMEs cannot simply be perceived as 'little big businesses' (Cardon & Stevens, 2004; Chen & Hambrick, 1995; Deshpande & Golhar, 1994; Hornsby & Kuratko, 1990; Koch & Van Straten, 1997; Kotey & Slade, 2005; Rutherford, Buller & McMullen, 2003; Welsh & White, 1981), and hence it cannot readily be assumed that the effects of transformational and transactional leader behaviour in this context will be the same as in large companies. So, the first aim of this thesis is to investigate whether the impact of transformational and transactional leader behaviour actually extends from large to small and medium-sized companies. This will enable us to test Bass' (1997) claim that the transformational-transactional paradigm should work within practically any national culture and any kind of organisation, either large or small.

Understanding how leadership affects employees in small businesses is not only of interest to research scholars, but may be equally important to practitioners, since it may help them to improve employee and thereby firm performance. Thus, the second aim of this investigation is to provide leaders in SMEs with some practical advice as to which leader behaviours can best be applied, if they wish to improve employees' attitudes and behaviours.

<sup>1</sup> MKB Nederland ([www.mkb.nl](http://www.mkb.nl), 2012); (<http://ec.europa.eu>, 2012).

## 1.2 Transformational and Transactional Leadership

The theory on transformational and transactional leadership was conceptualised by James MacGregor Burns (1978) and further developed by Bernard Bass (1985). Eventually Bass and Riggio (2006) distinguished four dimensions of transformational leadership: idealized influence/charisma, inspirational motivation, intellectual stimulation and individualized consideration. *Idealized influence/charisma* implies that the leader is providing a sense of mission, wins the respect of followers and instils pride in his following. *Inspirational motivation* is demonstrated when the leader articulates a compelling vision, sets attractive goals and is confident employees will achieve them. *Intellectual stimulation* reflects a leader who stimulates employees to be innovative and creative by questioning assumptions and approaching old situations in new ways. When the leader approaches employees as individuals rather than as members of a group, pays special attention to their needs for development by acting as a coach or mentor, this is called *individualized consideration*. The following chapters, however, will show that these four dimensions were not identified in our research among small and medium-sized companies.

Transactional leadership consists of three components: contingent reward, management by exception active and management by exception passive. *Contingent reward* implies that the leader clarifies targets, and rewards the employee when goals are achieved. *Management by exception active* refers to a leader who actively monitors deviances from standards, mistakes and errors, and takes corrective action as necessary. *Management by exception passive* reflects a leader who waits passively until deviances from standards, mistakes and errors occur and only then corrects employees.

Although transactional leadership can be quite effective, Bass (1985) proposed that transformational leadership will be augmenting the impact of transactional leadership. This implies that transformational leadership accounts for unique variance in leader effectiveness over and above that accounted for by transactional leadership.

## 1.3 Impact of Transformational and Transactional Leadership in SME Context

When considering the context in which the management of people takes place, we are faced with two different traditions. On the one hand, there is the Human Resource Management (HRM) literature showing us that contingencies like organisational strategy, structure and size are important contextual factors that should be taken into account because they seem to influence personnel practices (see e.g. Jackson & Schuler, 1995; Jackson, Schuler & Rivero, 1989). On the other hand, there is the leadership literature (see e.g. Bass & Bass,

2008), generally reporting little empirical evidence to support contingency theories of leadership like those of Fiedler (1967), Hersey & Blanchard (1969) and House (1971). At the beginning of our research on leadership behaviour within SMEs we were therefore very curious which of the aforementioned traditions would be more appropriate: the 'best fit' approach which is more popular in HRM research, or the 'best practice' approach which seems to have the upper hand within leadership research.

Taking a 'best practice' approach, Bass (1997) claimed that the transactional-transformational paradigm offered reliable constructs that could explain the relation between leadership and its outcomes in a wide range of organisations. Hence, this concept should also hold within the context of small and medium-sized enterprises. One could nevertheless argue that SMEs are different from their larger competitors, and therefore leadership might not have similar effects within this environment.

Without mentioning all of the specific characteristics of SMEs (for a full discussion see for example Delmotte et al., 2002; Koch & Van Straten, 1997), we discuss four important features that might influence the effect of transactional and transformational leadership:

- 1) SMEs are characterized by a rather simple organisational structure;
- 2) SMEs are less formalised than larger companies;
- 3) In SMEs teamwork is of great importance;
- 4) Most owner-managers of SMEs do not want their organisations to grow.

With regard to the first characteristic, it could be argued that there is some need for transactional but less for transformational leadership, since SMEs are less complex organisations (Mintzberg, 1983) and therefore do not need highfaluting leadership. In these businesses it may be enough when leaders clarify what needs to be done, correct people if needed and pay their agreed to wages or salaries. However, considering the second characteristic stating that SMEs are less formalised, one could also hold the view that not some but a lot of transactional leadership is needed within these organisations, because people have to take on a wide variety of tasks in these companies and formal job descriptions are often lacking. In addition, transformational leadership might work better in an environment in which it is not inhibited by lots of rules and regulations. Next, in relation to the third characteristic, one could contend that especially transformational leadership will be effective in SMEs, since it is aimed at inspiring people to work for the common good of the team or the company as a whole, instead of their own personal interests. Yet, as indicated by the fourth characteristic, most small businesses do not want to grow, to change or transform (Baron & Hannan, 2002; Delmotte et al. 2002, Koch & Van Straten, 1997) and thus might have no need for transformational leadership. In short, when considering the diverse characteristics of SMEs, it will be tough to predict unequivocally that the transactional-transformational paradigm might or might not hold in the context of small and medium-sized enterprises.

One could nevertheless also argue that the positive and negative influences of the aforementioned situational factors might more-or-less cancel each other out and thereby will hardly have any overall effect. Moreover, one might contend that employees within SMEs, like other people, are susceptible to beneficial treatment from their leaders and the inevitable psychological impact this will have. In line with the concept of reciprocity and social exchange theory (Blau, 1964; Gouldner, 1960), employees will then reciprocate beneficial leader behaviour by demonstrating higher levels of trust and commitment, which they will eventually translate into positive organisational behaviour. We contend that this latter line of reasoning is most convincing, and therefore expect the transactional-transformational paradigm to also hold within the context of SMEs. It may be obvious that by taking this position we join a 'best practice' approach to leadership.

## 1.4 Leadership Outcomes

For measuring leader effectiveness of transformational and transactional leader behaviour a vast array of outcome measures has been used by scholars, from employees' self-efficacy to job satisfaction, from unit performance to measures of turnover and absenteeism (Bass & Bass, 2008; Bass & Riggio, 2006). In this particular study we used three outcomes that are highly *practically* relevant to small and medium-sized companies. As reported by several authors (Delmotte et al., 2002; Koch & Van Straten, 1997, Nadin & Cassel, 2007), owner-managers of SMEs seem to particularly value employees' commitment and flexibility. For this reason, and also because it is likely that both commitment and flexible behaviour can be enhanced by leader behaviour, these two variables were included in our research. Further, we propose that employees' Organizational Citizenship Behavior (Organ, 1988) is another relevant outcome measure for SMEs, because it represents extra effort from the employee, which is very much needed if these businesses wish to survive while having a relatively weak market position (Delmotte et al., 2002; Koch & Van Straten, 1997). Each of these three leadership outcomes will now be more fully discussed in their order of appearance within this dissertation.

### **Organizational Citizenship Behavior**

Organ (1988) defined Organizational Citizenship Behavior (OCB) as: "... *individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization.*" He distinguished five dimensions of OCB: altruism, conscientiousness, courtesy, sportsmanship, and civic virtue. *Altruism* means voluntarily helping another employee with an organisationally relevant task or problem. *Conscientiousness* is discretionary

behaviour that goes well beyond the minimum role requirements, in terms of attendance, taking breaks, obeying rules and regulations. *Courtesy* concerns employee behaviour that is aimed at preventing work-related problems with others from occurring. *Sportmanship* is demonstrating a willingness to work in less than ideal circumstances without complaining. *Civic virtue* indicates that the employee is taking a genuine interest in the policies and well-being of the organisation as a whole. According to the meta-analysis of Podsakoff, MacKenzie, Paine, and Bachrach (2000) leader behaviours seem to be related to most of the dimensions of OCB, with the exception of civic virtue. This dimension hardly related to any leader behaviour. For this reason civic virtue was not included in our study.

### **Labour Flexibility**

Atkinson (1984, 1988) distinguished two dimensions of labour flexibility: numerical and functional flexibility. *Numerical flexibility* refers to adjusting the size of the workforce to the company's needs by hiring people on fixed-term contracts or bringing in temporary workers from outside, or by adjusting the working hours of the company's core workforce. Small and medium-sized companies make little use of external sources of numerical flexibility, because they cannot usually afford it (Goudswaard, 2003; Koch & Van Straten, 1997). For this reason this study is restricted to internal numerical flexibility, which we labelled *temporal flexibility* and defined as employees working overtime, adjusting their working schedule, as well as adjusting the planning of their holidays and time off, in the interest of the company. Atkinson's *functional flexibility* refers to the capability of employees to take on different jobs and tasks, and to be able to switch from one job or task to another. As such, functional flexibility focuses on the multi-skilled attributes of the core internal workers. Since we expect SMEs to make less use of high performance Human Resource (HR) systems and to invest less in formal training programs than their larger competitors (De Kok, 2003; Koch & Van Straten, 1997), functional flexibility within this study does not refer to a broadly trained or multi-skilled workforce, but to how often employees actually take on jobs and tasks that differ from their normal ones. Thus, alongside temporal flexibility, functional flexibility is also perceived here as extra effort by employees. To the best of our knowledge, we are not aware of any studies reporting about the relation between transformational and transactional leadership and either temporal or functional flexibility. Still, in line with social exchange theory, we would expect that beneficial treatment from transformational and transactional leaders will solicit people's flexible behaviour.



## **Affective Organisational Commitment**

According to Allen and Meyer (1990) three components of organisational commitment can be discerned: affective, continuance and normative commitment. *Affective commitment* refers to voluntary emotional attachment to the organisation, *continuance commitment* to the decision to stay with the organisation because of the costs associated with leaving or the impossibility of finding a better job, and *normative commitment* to the feeling that one is morally obliged to stay with the organisation (Allen & Meyer, 1990; Meyer & Allen, 1991). For several reasons only affective commitment was measured in this study. First, because it has the greatest practical relevance. Its relation with leadership, for instance, seems to be substantially stronger compared to that of the other components (Meyer, Stanley, Herscovitch & Topolnytsky, 2002). Therefore, leaders in SMEs have a better chance of influencing the level of organisational commitment among their employees, if they focus on affective commitment specifically. Second, because affective commitment does not suffer from problems concerning its construct validity, whilst normative and continuance commitment do (Ko, Price, & Mueller, 1997; Solinger, Van Olffen & Roe, 2008). Empirically normative commitment is hardly separable from affective commitment and is therefore perceived as redundant by a number of scholars. The problem with continuance commitment is that it taps two rather than one dimension: costs associated with leaving the organisation *and* the lack of alternative jobs. Moreover, unlike affective commitment, both continuance and normative commitment appear to reflect an attitude toward a specific course of action, i.e. leaving the organisation, rather than an attitude toward the organisation as such (Solinger et al., 2008). In this study we therefore only focus on affective organisational commitment.

In summary, this dissertation examines one employee attitude, affective organisational commitment, and two employee behaviours, Organizational Citizenship Behavior and labour flexibility, which in turn can be divided into temporal and functional flexibility.

## 1.5 Mediators and Moderators

Given the fact that studies on leader behaviour within SMEs are still scarce (Eddleston, 2008; Ling et al., 2008), it is not surprising that we know very little about the mechanism by which transformational and transactional leadership could affect employees within these companies. Neither do we know what factors might strengthen or weaken its impact within this context. In order to arrive at some deeper level of understanding about the association of both transactional and transformational leadership with the outcome measures, several mediators and moderators were included in our investigations.

Mediators typically allow researchers to get a clearer picture about the mechanisms, as represented by a third variable, by which the independent variable is influencing the dependent variable, whilst moderators indicate whether the direction and/or strength of the relationship between an independent variable and a dependent variable is affected by a third variable (Aiken & West, 1991; Baron & Kenny, 1986). In the following we introduce the mediators and moderators that were used in this study as well as the reasons why they were investigated.

The most important mediator of this study is *trust in the leader*, defined as employees' faith in and loyalty to their immediate supervisor (Podsakoff, MacKenzie, Moorman & Fetter, 1990). In their study of two large organisations Pillai, Schriesheim and Williams (1999) found that trust in the leader did not mediate the association of either transactional or transformational leadership with organisational commitment. Yet, Dirks and Ferrin's (2002) meta-analysis showed strong relations between transactional and transformational leadership with trust in the leader on the one hand, and trust in the leader and organisational commitment on the other. In addition, Nyhan (2000) found that interpersonal trust was mediating the relation between employee participation, which included the concept of participative leadership, and affective commitment in a rather small municipal government.

Further, several authors show that trust in the leader influences the relationship between leadership and OCB's (Deluga, 1994; Deluga, 1995; Dirks & Ferrin, 2002; Pillai et al., 1999; Podsakoff et al., 1990; Podsakoff, MacKenzie & Bommer, 1996). However, the results are inconclusive. Some scholars find weak associations (Podsakoff et al., 1996), others very strong ones, sometimes indicating that trust acts as a mediator between leadership and OCB's (Podsakoff et al., 1990).

Although earlier studies do not provide us with ready-made answers, it is not unlikely that trust in the leader will play a mediating role between transactional and transformational leadership and the leader outcomes of this study. Especially within the context of SMEs, where leaders and employees need to establish close relationships between themselves, trust is expected to play a crucial role in soliciting people's commitment, labour flexibility and Organizational Citizenship Behavior. If leaders are capable of building trust among their employees, then this will most probably be reciprocated by employees' positive attitudes and behaviours.

Apart from being included as an independent variable, affective commitment was also included as a possible mediator. We propose that people's voluntary attachment to the organisation will be mediating the relation between transformational and transactional leadership, and both temporal and functional flexibility. In line with social exchange theory, employees may eventually translate this positive attitude into flexible behaviours that are beneficial to the organisation.

In this dissertation two moderators will be presented. We are particularly interested whether the impact of transformational leadership is strengthened (or weakened) by *participative leadership*, defined as leader behaviour that aims to involve followers in decision processes (Bass & Bass, 2008), and/or *directive leadership*, defined as initiating structure, which is leader behaviour that focuses on top-down goal setting and role-clarification (Bass & Bass, 2008; Judge, Piccolo & Ilies, 2004; Schriesheim & Kerr, 1974). Bass (1985) and later Bass and Riggio (2006) argued that transformational leadership could be combined with either directive or participative leadership - also referred to as directive and participative 'leader decision styles' (Bass, 1985), suggesting that both combinations could be equally effective. For example, a leader who consults employees when defining future goals may be as inspiring and thus as effective as a leader who is able to convince employees that the future goals (s)he decided upon are worth achieving (see Bass & Riggio, 2006). Although this contention may be intuitively appealing, at present it is still unknown whether this is actually the case.

## 1.6 Specific Contributions

Alongside the more generic aims, as mentioned in section 1.1, this dissertation attempts to make several specific contributions to the existing literature concerning the role of leadership within SMEs.

First, by examining whether trust in the leader mediates the relation between transformational and transactional leadership on the one hand, and employee Organizational Citizenship Behavior (Chapter 2), affective organisational commitment and temporal flexibility (Chapter 4) on the other.

Second, by investigating the mediating role of affective organisational commitment in the relation between transformational and transactional leadership, and both temporal and functional flexibility (Chapter 3).

Third, by testing whether participative and directive leader decision styles are moderating the relation between transformational leadership and employees' affective organisational commitment (Chapter 5).

## 1.7 Scientific and Practical Relevance

The scientific relevance of this dissertation can be summed up as follows:

1. This study tests Bass'(1997) claim that the transformational-transactional paradigm will work in any national culture and any kind of organisation, by analyzing its effects within the context of Dutch SMEs.

2. By testing the aforementioned claim we also attempt to make a contribution to the debate about the 'best practice' versus 'best fit' approaches as related to people management.
3. This dissertation tries to shed some light on the mechanisms by which transformational and transactional leadership affects employee outcomes. To this end trust in the leader and affective organisational commitment are included as possible mediators.
4. To test Bass' (1985) suggestion that transformational leadership could be equally effective when combined with a directive as compared to a participative leader decision style. For this reason both directive and participative leadership are included as moderators in the association between transformational leadership and affective organisational commitment.

The practical relevance of this study is threefold:

1. The results of this research may be relevant to a large amount of companies, since SMEs count for about 99% of all companies.
2. Based on the results of this study, SMEs can be advised which leader behaviours are to be stimulated if they wish to improve employee attitudes and behaviours, which in turn may improve firm performance.
3. In addition, although not an aim of this study as such, we also propose a brief instrument that intends to help SMEs in setting up an effective leadership development program.

## 1.8 Methods

### **Sample and Procedure**

During the course of approximately three years eventually a sample of 755 employees and 121 supervisors within 50 companies was collected. Since the entire dataset was available when we set out to write Chapters 3 and 4, analyses for the studies presented in these chapters were conducted using the whole sample of 50 companies. Chronologically, Chapters 2 and 5 came into being before Chapters 3 and 4. By the time we started to work on our first study, which is presented in Chapter 2, data of 274 employees and 47 supervisors within 18 businesses were available. For the second study (Chapter 5) we analysed a sample of 588 employees and 93 supervisors within 35 companies. Thus, apart from the availability of the data no other criteria were used in the process of selecting data for any of the four particular studies.

Our samples included small and medium-sized enterprises, but no so-called 'micro' companies who employ less than ten people. The participating companies ranged from ICT businesses to health- and child-care organisations, from high-tech enterprises to agricultural companies, pubs and restaurants. Obviously, this allowed us to test our hypotheses in a wide variety of organisations.

Questionnaires were filled out at work and at prearranged times. In principal all employees belonging to a certain supervisor completed the questionnaires. However, employees who were on a holiday for example, or had fallen ill, did not participate. Since the exact number of employees belonging to a particular supervisor was not always provided by the participating companies, we cannot present an accurate response rate. Our overall estimate is nevertheless that this rate is approximately 90 percent. Employees rated their immediate supervisor's leader behaviour, their trust in the leader and their own affective commitment and labour flexibility. Supervisors rated employees' Organizational Citizenship Behavior.

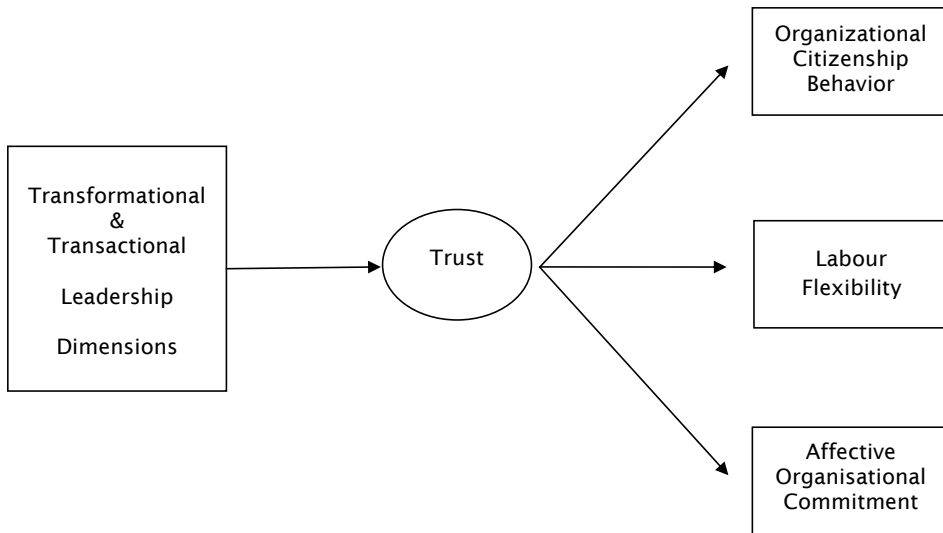
## **Analysis**

At the start of this research in 2009 a basic conceptual model (see Figure 1) was constructed as a starting-point for several different analyses we intended to conduct in the time to come. As we were unable to predict in advance how many data could be gathered within a period of approximately three years, our strategy was not to exclusively strive for the measurement of the complete model, but to focus on the measurement of separate parts, realising we might not collect enough data to be able to analyse the entire model. Since each of the four researches of this thesis was intended to be a complete and interesting study by itself, with its own particular contribution, parts of the integrated model were tested, yet in a flexible and varied manner. Therefore, although a part of the basic conceptual model, trust in the leader for example was not included in the analyses of Chapters 3 and 5. On the other hand, affective organisational commitment was added as a mediator in Chapter 3, and directive and participative leader decision styles were added as possible moderators in Chapter 5.

After we had gathered the complete dataset of 50 companies, we tried to estimate the entire conceptual model. Given the fact that Organizational Citizenship Behavior was measured at the department/supervisor level, data were aggregated to this particular level. However, using structural equation modelling with *Mplus* (Byrne, 2012; Muthén & Muthén, 2010), the model could not be identified due to technical problems in the dataset. In Chapter 4 a more parsimonious integrated model is presented instead, measured at the employee level and necessarily omitting OCB as a dependent variable.

For model testing we used several methods, starting with multiple regression analysis (Cohen, Cohen, West & Aiken, 2003) in Chapter 2, and moving on to more sophisticated

methods like multilevel analysis (Bickel, 2007) in Chapters 3 and 5, and structural equation modelling, using *Mplus* (Byrne, 2012; Muthén & Muthén, 2010), in Chapter 4. We followed Baron and Kenny's method (1986) for mediation testing and the method by Aiken and West (1991) for testing moderator effects. For examining the factor structure of our scales exploratory factor analysis was used in Chapter 2 and confirmatory factor analysis, using *Mplus*, in Chapters 3 through 5.



**Figure 1** Basic Conceptual Model

## 1.9 Reader's Guide

The introduction will be followed by another five chapters. Since an important learning objective of this PhD study was to produce several articles that could meet the standard of peer-reviewed journals, in Chapters 2 through 5 four empirical researches are presented, of which each can be read as a complete study by itself. As a consequence it was inevitable that certain parts of the theoretical and methodological sections were repeated in the consecutive chapters. This dissertation will be concluded in Chapter 6.

The order in which the separate investigations are presented within this thesis deviates a little from the chronological order in which they initially appeared (see section 1.8). We first present three studies including possible mediators (Chapters 2, 3 and 4) and then present one study including the examination of possible moderators (Chapter 5).

Chapter 2 focuses on the relations of transformational and transactional leadership with employees' Organizational Citizenship Behavior and to what extent these associations are mediated by trust in the leader.

Chapter 3 continues with a study of the impact of transactional and transformational leadership on labour flexibility. More particularly, it examines the question whether affective organisational commitment is mediating the association of leader behaviour with both temporal and functional flexibility.

Chapter 4 presents a structural model, incorporating transformational and transactional leader behaviours as independent variables, trust in the leader as a possible mediator, and affective organisational commitment and temporal flexibility as outcome measures.

In Chapter 5 we investigate the link between transformational leadership and affective organisational commitment. Special attention is paid to the moderator roles of participative and directive leadership.

Finally, in Chapter 6 the main conclusions, the limitations of this dissertation, directions for further research and practical implications will be discussed.

# 2

Trust in the Leader: A Mediator between  
Leadership and OCB in Small and  
Medium-Sized Businesses?



# Abstract

Pioneering research on leader behaviour within small and medium-sized businesses, we investigated the relation between transformational and transactional leader behaviour and employees' Organizational Citizenship Behavior (OCB), also labelled as extra-role behaviour. Since people in small organisations are very dependent on each other, we expected trust in the leader to influence this relationship and examined whether it fulfilled a mediator role. Data were used from 47 supervisors, rated by 274 employees, within 18 small and medium-sized companies in the Netherlands.

Results showed that transformational leadership, which is aimed at extraordinary employee performance, as well as transactional leadership, which is mainly focused at standard employee performance, is related to OCB. Trust in the leader appears to be a mediator within these relationships. Leaders in small and medium-sized companies are advised to intensify transformational and rewarding behaviours, and also to improve their feedback skills, if they wish to solicit a higher level of OCB from their subordinates.

# Introduction

Quite a lot of research has been done concerning predispositions and characteristics of owner-managers of small businesses, which is mainly giving us information about their *personality* (see for example Brigham, De Castro & Shepherd, 2007; Covin & Slevin, 1988; Korunka, Frank, Lueger & Mugler, 2003; Mitchell, Busenitz, Lant, McDougall, Morse & Brock Smith, 2002; Sadler-Smith, Hampson, Chaston & Badger, 2003; Stavrou, Kleanthous & Anastasiou, 2005). Yet, very little is known about the effectiveness of actual leader *behaviour* within these companies. Recently, some researchers proposed to pay more attention to the effectiveness of leader behaviour in small companies (Eddleston 2008; Pearson & Marler 2010), but to date there are hardly any empirical studies on this subject within these businesses. Practically all research on leader behaviour has been done within large organisations, so we do not really know whether it works the same way in small and medium-sized enterprises (SMEs). As we know from SME researchers, small companies differ in many respects from their larger competitors (De Kok, 2003; Delmotte, Lamberts, Sels & Van Hootegem, 2002; Feltham, Feltham & Barnett, 2005; Kelly, Athanassiou & Crittenden, 2000; Koch & Van Straten, 1997; Kotey & Meredith, 1997; Van Gils, 2005). The dominant role of the owner-manager, the often family-like culture, the absence of formal management procedures, the informal way employees are hired, the relative lack of financial resources, they all could influence both leader behaviour and leader effectiveness.

Although such contingencies could possibly influence leader effectiveness, Bass (1997) claimed that his theory on transformational and transactional leadership offered explanatory constructs which are principally good for all situations. The first contribution of this study is to test this claim by investigating whether these leader behaviours are effective within the context of small and medium-sized businesses.

The second contribution of this investigation concerns the inclusion of Organizational Citizenship Behavior as the dependent variable in our models. The importance of OCB for SMEs is related to a special characteristic of these enterprises: their relatively weak market position, when compared to their bigger competitors (Delmotte et al., 2002; Mintzberg, 1983; Koch & Van Straten, 1997). In their attempt to survive small businesses are therefore most reliant upon the extra effort they manage to solicit from their employees. In other words: if leaders in these companies want to be successful, they must encourage their personnel to 'go the extra mile'. As we will explain in greater detail in the following pages, OCB might be more crucial for SMEs compared to larger organisations for three other reasons. The first one concerns the close relationships people need to maintain amongst themselves, the second is related to the relative absence of specialized jobs, and the third to the lack of formal rules and regulations within these organisations (Koch & Van Straten, 1997). Each of those circumstances requires an extra effort in terms of good citizenship

behaviour. Although OCB might be crucial for these companies, at present there are no substantial studies examining OCB within SMEs. For this reason we try to fill some of the gap in the literature.

It is well known that transformational leadership, which would call for extraordinary employee performance, is positively related to OCB in large organisations (Podsakoff, MacKenzie & Bommer, 1996; Podsakoff, MacKenzie, Paine & Bachrach, 2000). Yet, little is known about the relation between transactional leadership, which usually is supposed to stimulate employees in fulfilling their 'normal' duties by correcting and rewarding them (Bass & Riggio, 2006), and citizenship behaviour. The impact of transactional *corrective* behaviours specifically remains obscure, since previous studies mainly paid attention to transactional *rewarding* behaviours (see for example Bass, Avolio, Jung & Berson, 2003; Podsakoff, MacKenzie, Moorman & Fetter, 1990; Pillai, Schriesheim & Williams, 1999). Our third contribution to the literature is therefore to also include transactional leader behaviours in our models.

As such, the aforementioned contributions lead to the first aim of this study: to provide empirical knowledge about the effectiveness of transformational and transactional leadership in small and medium-sized businesses in terms of employees' Organizational Citizenship Behavior.

Another important feature distinguishing small and medium-sized businesses from large organizations is their focus on the so-called person-organisation fit. Employees are hired, not so much because of their knowledge and skills, but because they seem to fit well within the team (Heneman, Tansky & Camp, 2000; Koch & Van Straten, 1997). It is still unclear what this person-organisation fit entails exactly, but we expect *trust* to play an important role in this because it is a precondition if people need to work together so closely. In small companies people are very dependent on each other, so employees must be able to rely on their leaders and vice versa. Recently, scholars like Eddleston, Chrisman, Steier and Chua (2010) have pointed out that the role of trust in small businesses is important. However, empirical research within this domain is lacking.

The occurrence of OCB has often been explained from social exchange theory, in which trust plays a substantial role (Blau, 1964; Deluga, 1994; Konovsky & Pugh, 1994). According to this theory positive leader behaviour may be reciprocated by employee trust in the leader and thus be rewarded by extra effort from the employee. Yet, the mechanisms through which leader behaviours influence OCB are not always clear. Some of these behaviours may work directly, others indirectly through possible mediators like trust (Podsakoff et al., 2000). Several scholars found that in large organisations trust in the leader had an important impact on the relation between leader behaviour and OCB. In their study Podsakoff and colleagues (1990) for example demonstrated that trust in the leader was mediating the relationship between transformational leadership and OCB. In contrast

with these findings the study of Podsakoff, MacKenzie and Bommer (1996) showed that some of the transformational dimensions, articulating a vision and intellectual stimulation for example, were not related to trust in the leader and hardly with OCB. Thus, within the context of large organisations the literature is still inconclusive as to whether trust in the leader mediates the association between leadership and Organizational Citizenship Behavior. Considering this finding, as well as the special role of trust within SMEs and the lack of empirical research on this subject matter, our second aim is to investigate the mediating role of trust in the leader within the relationship between both transformational and transactional leadership, and OCB's in small and medium-sized enterprises.

As such, with regard to our conceptual model as presented in the introduction, this chapter investigates the paths that lead from transformational and transactional leadership dimensions to trust in the leader, as well as the path that leads from trust in the leader to OCB. It begins with a brief discussion of the literature about Organizational Citizenship Behavior, social exchange theory - which we use for explaining the expected relationships within this study, leader behaviour and trust, including our hypotheses. This will be followed by the description of our research methods and the results. Finally, we will present the limitations, conclusions and implications of this study.

### **Organizational Citizenship Behavior**

Before we more fully discuss the importance of OCB for small and medium-sized enterprises, first some attention will be paid to the debates concerning the definition and dimensionality of OCB, and also to its predictors and organisational outcomes.

Initially the definition by Organ (1988: p. 4) was most commonly used, describing OCB as: "... *individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization.*" However, in the years following Organ's publication much debate has taken place about OCB being *discretionary* and *not being formally rewarded*, in other words, whether it could be considered as extra-role behaviour or not (for a full discussion see for example Hoffman, Blair, Meriac & Woehr, 2007; Jiao, Richards & Zhang 2011; LePine, Erez & Johnson, 2002; Koster & Sanders, 2006; Podsakoff et al., 2000; Podsakoff, Whiting, Podsakoff & Blume, 2009). Several researchers showed that employee OCB could be seen as part of the job and was also formally rewarded (Morrison, 1994; Pond, Nacoste, Mohr & Rodriguez, 1997; Tepper, Lockhart & Hoobler, 2001), thereby challenging the view that OCB should be considered as extra-role behaviour. In response to the critics Organ (1997) changed his original view and no longer regarded OCB as strictly extra-role behaviour. He suggested that OCB should not be distinguished in a black-and-white manner from formally enforceable task performance, but differs from task performance by the degree to which it can be enforced on the employee. In line with this perception Hoffman and

colleagues (2007) found that OCB was indeed empirically distinguishable from, yet highly correlated with task performance.

Apart from its definition quite some discussion has been going on about the dimensionality of OCB. Organ (1988) originally proposed five dimensions: altruism, conscientiousness, courtesy, sportsmanship, and civic virtue. *Altruism* means voluntarily helping another employee with an organisationally relevant task or problem. *Conscientiousness* is discretionary behaviour that goes well beyond the minimum role requirements, in terms of attendance, taking breaks, obeying rules and regulations. *Courtesy* concerns employee behaviour that is aimed at preventing work-related problems with others from occurring. *Sportsmanship* is demonstrating a willingness to work in less than ideal circumstances without complaining. *Civic virtue* indicates that the employee is taking a genuine interest in the policies and well-being of the organisation as a whole. Since Organ's initial proposal of these five dimensions many scholars struggled with them and tried a variety of different dimensionalities (LePine et al., 2002; Koster & Sanders 2006; Podsakoff et al., 2000). Alongside the original dimensionality, Williams and Anderson's (1991) two-dimensional conceptualisation has also been rather popular. They suggested that altruism and courtesy together formed up the first dimension, which concerns behaviours directed toward individuals (OCB-I). Conscientiousness, sportsmanship and civic virtue together comprise the second dimension, which represents behaviours directed toward the organisation (OCB-O). Several researches (Hoffman, Blair, Meriac & Woehr, 2007; LePine et al., 2002) nevertheless demonstrated that there is little to be gained from this approach, because OCB-I was not really different to OCB-O. Moreover, the results of Hoffman and colleagues (2007) supported a single-factor model of OCB. OCB in this study is therefore measured as one overall construct.

In the early research of OCB a lot of attention was paid to its antecedents. Currently we know that it can be predicted from many variables, like task characteristics, job satisfaction, organisational commitment, organisational justice, conscientiousness (as an employee personality trait), trust in the leader, perceived organisational support, and a whole array of different leader behaviours (Dalal, 2005; Podsakoff et al., 1996; Podsakoff et al., 2000). Among the leader behaviours that are positively related to OCB, transformational leadership takes a prominent place. Less is known, however, about the relation between transactional leadership and OCB.

More recently, scholars took a greater interest in the consequences of OCB. The meta-analysis of Podsakoff and colleagues (2009) for example demonstrated that OCB's can indeed have positive effects at individual and company level. OCB's were positively related to employee performance, and organisational performance in terms of productivity, efficiency and customer satisfaction. In addition, OCB was negatively related to absenteeism and turnover. These results indicate that it is important for any company

to promote employee citizenship behaviours. Bolino and Turnley (2003) nevertheless warned that companies should not overdo this, since employees can demonstrate extra-role behaviours at the expense of in-role behaviours, or simply become too stressed when leaders pressure them too much into 'going the extra mile'.

Why would employee OCB be particularly important for SMEs? The first reason, as already discussed in the introduction, is the relative weak market position of smaller companies (Delmotte et al., 2002; Mintzberg, 1983; Koch & Van Straten, 1997). To be competitive SMEs cannot do without the extra effort of their employees. The second reason has to do with the importance of teamwork. Because of the absence of specialized jobs and the fact that employees need to work together very closely within these organisations (Koch & Van Straten, 1997) - and therefore influence other people's jobs more strongly and more directly - they have to help each other more and have to consider consequences of their own behaviour more. The third reason is related to the fact that small and medium-sized companies are less formalised than their larger competitors (Hornsby & Kuratko, 1990; Koch & Van Straten, 1997; Matlay, 1999). Given that there are not many formal rules and regulations within these companies, a lot will depend on employees' good citizenship behaviour. To illustrate why this kind of behaviour is especially important within the context of small businesses, three examples are given: a) Helping a colleague whose work load becomes too heavy is essential, because next time oneself might be the person in need of some assistance. But above all, this is what 'family' members do for each other (*Altruism*); b) People do not work for some abstract organisation, but for their boss who knows them all personally. And they know that when the boss is doing well, they will be doing well. So when a last minute order comes in, which the boss wants to be dealt with today, one does not postpone the work till tomorrow, but works a little harder (*Conscientiousness*); c) When one's colleagues make mistakes, one might make a comment every so often, but one does not start to spoil the team spirit by complaining all the time. In small companies people generally cannot be transferred to some distant department, where they may fit in better. So, one might as well put up with some of the less favourable characteristics of one's colleagues and keep the spirits high (*Sportmanship*). We are convinced it is these kinds of behaviours that will help small and medium-sized businesses to survive. However, one cannot expect OCB to occur without the right kind of leadership and employees' trust in their leader.

### **Social Exchange Theory in Relation to OCB, Leadership and Trust**

The expected relationships between leadership, trust in the leader and OCB can be explained from a social exchange point of view. According to Blau (1964) social exchange should be distinguished from strictly economic exchange, mainly because social exchange entails unspecified instead of clearly defined obligations. Individuals who engage in social

exchange therefore have to trust that others will reciprocate their benefactions in ways that are yet unknown. In contrast, purely economic exchange will not engender this feeling of trust.

In our research two kinds of behaviour could be considered as part of a social exchange process: transformational leadership and employee citizenship behaviour. Opposed to transactional leaders, who are basically focused on the economic exchange, transformational leaders pay more attention to subordinates' needs, are working for the welfare of the organisation as a whole, and through leading by example motivate their employees to engage in behaviour that goes beyond the self-interests. Organizational Citizenship Behavior is just this kind of behaviour by which employees may return the extra effort of their superiors, providing they are genuine and can be trusted. If not, then it is unlikely that OCB will occur.

In line with social exchange theory transactional leadership generally will not promote this extra-role behaviour. When referring to the correcting aspect of transactional leadership, this may be true. Rewarding people, even for their 'standard' performance, might nevertheless have a positive influence on OCB. In the next paragraph this will be discussed in greater detail.

## **Leadership**

Over the last seventy years different theories concerning leader behaviour have been developed (for an extensive discussion of the literature see for example Bass & Bass, 2008). From the available theories we chose Bass' (1985) theory of transformational and transactional leadership, because empirical research has demonstrated that all dimensions of transformational and, although to a lesser extent, one dimension of transactional leadership (contingent reward) is related to both OCB and trust in the leader (Bass & Riggio, 2006; Dirks & Ferrin, 2000; Fahr, Podsakoff & Organ, 1990; Pillai, Schriesheim & Williams, 1999; Podsakoff et al., 1990).

Bass and Riggio (2006) distinguished four dimensions of transformational leadership: idealized influence/charisma, inspirational motivation, intellectual stimulation and individualized consideration. *Idealized influence/charisma* means that the leader is providing a sense of mission, wins the respect of followers and instils pride in his following. *Inspirational motivation* is demonstrated when the leader articulates a compelling vision, sets attractive goals and is confident employees will achieve them. *Intellectual stimulation* is shown by a leader who stimulates employees to be innovative and creative by questioning assumptions and approaching old situations in new ways. When the leader approaches employees as individuals rather than as members of a group, pays special attention to their needs for development by acting as a coach or mentor, this is called *individualized consideration*. The four dimensions of transformational leadership

are expected to be mutually reinforcing and can be grouped as one construct (Antonakis, Avolio & Sivasubramaniam, 2003; Bass & Riggio, 2006).

Since transformational behaviour could be considered as extra effort on behalf of the supervisors, we expect employees to return this by demonstrating extra-role behaviour on their part. If a supervisor for example allows an employee to start a little later at work, because he or she is a single parent and needs to bring the kids to school, then the employee might return this gesture by not only working a little longer at the end of the day, but also by delivering better quality work. Such a mechanism can be explained by social exchange theory, which stresses the importance of socio-emotional inputs and rewards beyond the transactional exchange (Blau, 1964; Gouldner, 1960; Konovsky & Pugh 1994). Thus our first hypothesis:

*H1: In SMEs, transformational leadership is positively related to OCB.*

There are three dimensions of transactional leadership: Contingent Reward, Management by exception Active and Management by Exception Passive. *Contingent reward* indicates that the leader clarifies targets, and rewards the employee when goals are achieved. *Management by exception active* refers to a leader who actively monitors deviances from standards, mistakes and errors, and takes corrective action as necessary. *Management by exception passive* is referring to a leader who waits passively until deviances from standards, mistakes and errors occur and only then corrects employees.

Unlike those of transformational leadership the dimensions of transactional leadership are rather independent of each other (Bass & Riggio, 2006). For this reason they will be examined separately. Contingent reward for example sometimes almost acts like a dimension of transformational leadership (Antonakis et al., 2003). The psychological impact of leader rewarding behaviour might then transcend the simple economic exchange. When leaders express genuine gratitude to their subordinates for having reached the contracted goals, employees may feel appreciated and reciprocate their leader's behaviour with extra effort. Since we expect contingent reward to have this effect especially in close working relationships, as in SMEs, our second hypothesis reads:

*H2: In SMEs, contingent reward is positively related to OCB.*

Management by exception, both active and passive, involves providing negative feedback, which generally decreases people's performance (Ilgen & Davis, 2000; Ilgen, Fisher & Taylor, 1979; Kluger & DeNisi, 1996; Steelman, Levy & Snell, 2004). For this reason we expect it to influence OCB negatively. In line with social exchange theory negative feedback will be reciprocated by less extra effort from the employees. This leads to our third hypothesis:

*H3: In SMEs, management by exception active and management by exception passive are negatively related to OCB.*



## **Trust in the Leader**

According to Rousseau, Sitkin, Burt and Camerer (1998, p. 395) trust can be defined as: “*a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions and behavior of another*”. In this study trust was measured as employees’ faith in and loyalty to their immediate supervisor (Podsakoff, MacKenzie, Moorman & Fetter, 1990).

Several authors show that trust in the leader influences the relationship between leadership and OCB’s (Deluga, 1994; Deluga, 1995; Dirks & Ferrin, 2002; Pillai et al., 1999; Podsakoff et al., 1990; Podsakoff et al., 1996). However, the results are inconclusive. Some scholars find weak associations (Podsakoff et al., 1996), others very strong ones, sometimes indicating that trust acts as a mediator between leadership and OCB’s (Podsakoff et al., 1990).

As mentioned before, we assume trust to play an important role within small and medium-sized businesses, because of the close relationships people need to establish in these companies. According to social exchange theory trust can be seen as typifying a leader-follower relationship that goes beyond the standard economic contract, and might therefore elicit citizenship behaviour (Blau, 1964; Dirks & Ferrin, 2002; Konovsky & Pugh, 1994; Pillai et al., 1999). So, when leaders demonstrate transformational behaviour we expect trust in the leader and thus OCB to occur. Albeit a dimension of transactional leadership, contingent reward is predicted to have similar relationships with trust and OCB as transformational leadership, because of its positive psychological effects on employees. On the other hand, when management by exception is demonstrated, trust and thereby OCB will be discouraged. Negative feedback from the supervisor will be reciprocated by a diminishment of employee trust in the leader, and therefore less citizenship behaviour. From this we derived our fourth hypothesis:

*H4: In SMEs, trust in the leader mediates the relationship between transformational and transactional leadership on the one hand, and OCB on the other.*

## **Method**

### **Sample and Procedure**

The sample of 47 supervisors - all involved in the core business - was taken from 18 Dutch small and medium-sized businesses. Of these enterprises the smallest employed 19 and the largest 150 employees. The companies were very diverse: from service and consultancy organisations to agricultural companies (see Table 1). Demographic features of the respondents are shown in Table 2.

**Table 1** Business Type of Participating Companies

| <b>Business Type</b>           | <b>Amount</b> |
|--------------------------------|---------------|
| Service and Consultancy        | 4             |
| Hotel and Catering             | 3             |
| ICT                            | 3             |
| Machinery Industry             | 3             |
| Health Care                    | 1             |
| Wholesale                      | 1             |
| Agriculture and Transportation | 3             |

For measuring the different concepts we used two different sources. Supervisors rated the Organizational Citizenship Behavior of their own employees. For practical reasons supervisors did not rate OCB's of all their employees, but of three employees instead: their best, their worst and a moderately performing employee. If supervisors would have been asked to rate all of their employees, this would have been enormously time consuming for them and certainly would have reduced the number of participating companies. Which of the employees was the best, the worst, or the moderately performing one was determined by the supervisor and thus a matter of their own perception. In total 274 employees rated leader behaviour of their particular supervisor as well as their trust in this supervisor.

In principal all of the employees of each supervisor were asked to cooperate in the research. When this was not possible, a random sample was taken. Questionnaires were filled out at work and at prearranged times. So, employees who were ill that day for example, or were on a holiday, did not participate. On average about six employees rated their supervisor, with a minimum of three and maximum of fourteen employees. For regression analyses data were aggregated at the department level. As such, the supervisor and the aggregate of the employee data was the level of analysis, and consequently the unit of analysis was 47.

**Table 2** Demographic Features of Respondents

| <b>Respondents</b> | <b>N</b> | <b>Gender</b> |               | <b>Average Age</b> | <b>Average Stay</b> | <b>Education</b> |           |
|--------------------|----------|---------------|---------------|--------------------|---------------------|------------------|-----------|
|                    |          | <b>Male</b>   | <b>Female</b> |                    |                     | <b>BA</b>        | <b>MA</b> |
| Supervisors        | 47       | 87%           | 13%           | 39 years           | 9 years             | 64%              | 2%        |
| Employees          | 274      | 73%           | 27%           | 35 years           | 7 years             | 37%              | 8%        |

## Measures

Leadership was measured by the MLQ, Form 5X (Bass & Avolio, 2004). Only the leader behaviour items were used, since leader behaviour can be changed and improved upon. The 'attributed' items of transformational leadership, which refer to rather fixed personal traits, were therefore discarded. Employees were asked how frequently their supervisors demonstrated certain leader behaviour on a five-point scale, from 'not at all' to 'frequently, if not always'. The reliability of the scales was above the .70 norm for transformational leadership, contingent reward, and management by exception passive (Table 3). At first Cronbach's alpha for management by exception active ( $\alpha = .58$ ) was too low, but by removing one out of four items from the scale, reliability was improved to .68 (Table 3). Transformational leadership was measured with a sixteen-item scale, containing items like: "Talks optimistically about the future", and "Spends time teaching and coaching". One of the items of contingent reward, measured with a four-item scale, reads for example: "Provides me with assistance in exchange for my efforts". The three-item scale of management by exception active had items like: "Keeps track of all mistakes". Finally, passive management by exception was measured with four items, for example: "Fails to interfere until problems become serious".

We found that almost all items loaded on the first factor, with the exception of items 3 and 26 (Table 4). Item 3, as part of the transformational leadership scale, showed no significant loading (.241) on the first factor, but scored even lower on the other factors (-.047, .047, and .128 respectively). Item 26, belonging to passive management by exception, demonstrated a non-significant negative loading on factor 1 (-.194). Further, Table 4 shows that items of passive and active management by exception also loaded on factors 2 and 3. Unlike the items of its active counterpart, most items of management by exception passive loaded negatively on factor 1 and positively on factor 2. These results were in line with Bass' theory (1985) and former research on the factor structure of the MLQ (Antonakis et al., 2003), indicating that active and passive management by exception should indeed be measured separately. Since practically all items of transformational leadership, contingent reward and active management by exception were loading on the same factor, it was not possible to distinguish between these dimensions on the basis of the factor analysis as reported in Table 4. However, our findings may have to do with particular features of the small sample we took. Since the factor structure of the MLQ has been researched extensively by Antonakis et al. (2003), we measured transformational leadership, contingent reward and management by exception as different constructs.

The scales developed by Podsakoff and colleagues (1990), which have proven to be a sound measure of Organ's five dimensions, were used to measure OCB. According to the meta-analysis of Podsakoff, MacKenzie, Paine and Bachrach (2000) leader behaviours seem to be related to most of the dimensions of OCB, with the exception of civic virtue.

**Table 3** Correlations, Means, Standard Deviations (SD), and Reliabilities of Study Variables (N=47)

| Variables                              | $\alpha$ | Mean (SD) | (1)    | (2)    | (3)    | (4)    | (5)  | (6)   | (7)   | (8)   |
|--|----------|-----------|--------|--------|--------|--------|------|-------|-------|-------|
| (1) Transformational Leadership        | .89      | 3.4 (.39) |        |        |        |        |      |       |       |       |
| (2) Contingent Reward                  | .74      | 3.4 (.47) | .86**  |        |        |        |      |       |       |       |
| (3) Management by Exception Active     | .68      | 3.3 (.37) | .44**  | .57**  |        |        |      |       |       |       |
| (4) Management by Exception Passive    | .73      | 2.6 (.36) | -.56** | -.56** | -.44** |        |      |       |       |       |
| (5) Trust                              | .84      | 4.0 (.46) | .61**  | .58**  | .24    | -.56** |      |       |       |       |
| (6) OCB Best Employee <sup>a</sup>     | .82      | 4.1 (.38) | .09    | .14    | .15    | -.23   | .13  |       |       |       |
| (7) OCB Moderate Employee <sup>a</sup> | .80      | 3.6 (.37) | .19    | .22    | -.06   | -.23   | .32* | .29   |       |       |
| (8) OCB Worst Employee <sup>a</sup>    | .85      | 2.9 (.53) | .22    | .05    | -.30   | -.04   | .27  | -.21  | .18   |       |
| (9) OCB Average <sup>a</sup>           | .93      | 3.6 (.27) | .21    | .12    | -.21   | -.20   | .33* | .43** | .74** | .66** |

a. OCB=Organizational Citizenship Behavior. \* $p < .05$  (2-tailed); \*\* $p < .01$  (2-tailed).

**Table 4** Factor Analysis of Leadership Dimensions

| Leadership dimension                   | Factor 1 | Factor 2 | Factor 3 | Factor 4 |
|--|----------|----------|----------|----------|
| <b>Transformational Leadership</b>     |          |          |          |          |
| 1. Values and Beliefs                  | .304     |          |          |          |
| 2. Sense of Purpose                    | .573     |          |          |          |
| 3. Moral and Ethical Consequences      |          |          |          |          |
| 4. Sense of Mission                    | .621     |          |          |          |
| 5. Talks Optimistically                | .614     |          |          |          |
| 6. Talks Enthusiastically              | .680     |          |          | -.351    |
| 7. Compelling Vision                   | .784     |          |          |          |
| 8. Expresses Confidence                | .732     |          |          |          |
| 9. Re-examines Assumptions             | .630     |          |          |          |
| 10. Seeks Differing Perspectives       | .585     |          |          |          |
| 11. Look from Different Angles         | .512     |          |          |          |
| 12. New Ways of Looking                | .584     |          |          |          |
| 13. Teaching and Coaching              | .673     |          |          |          |
| 14. Treats Me as Individual            | .425     |          |          |          |
| 15. Considers Me                       | .628     |          |          |          |
| 16. Develop My Strengths               | .686     |          |          |          |
| <b>Contingent Reward</b>               |          |          |          |          |
| 17. Provides Assistance                | .634     |          |          |          |
| 18. Who Is Responsible                 | .597     |          |          |          |
| 19. What One Can Expect                | .621     |          |          |          |
| 20. Expresses Satisfaction             | .753     |          |          |          |
| <b>Management by Exception Active</b>  |          |          |          |          |
| 21. Attention on Irregularities        | .359     |          | .581     |          |
| 22. Concentrates on Mistakes           | .438     | -.329    |          |          |
| 23. Keeps Track                        | .449     |          | .421     |          |
| <b>Management by Exception Passive</b> |          |          |          |          |
| 24. Fails to Interfere                 | -.325    |          |          |          |
| 25. Waits before Taking Action         | -.570    | .567     |          |          |
| 26. If It Ain't Broke                  |          | .406     |          |          |
| 27. Problems Must Become Chronic       | -.484    | .572     |          |          |

Extraction Method: Principal Axis Factoring. Only values at or above .300 are shown.

This dimension hardly related to any leader behaviour. For this reason civic virtue was not included in this study. In total twenty items were used to tap OCB. Example items are: "Attendance at work is above the norm" (conscientiousness); "Always finds fault with what the organisation is doing" (sportsmanship, reverse coded); "Is mindful of how his/her behaviour affects other people's jobs" (courtesy); and "Helps orient new people even though it is not required" (altruism). Since we asked supervisors to rate the OCB of their best, worst and a moderately performing employee, the average OCB (Cronbach's alpha=.93) calculated in this study may differ from the real average OCB that would have been obtained, if supervisors had rated all of their employees involved in this research. It was

therefore decided to also present the separate OCB scores concerning the best, worst and moderate employees (Table 3 and Table 6). Followers' trust in the supervisor was measured with a six-item scale from Podsakoff and colleagues (1990) containing items like: "My supervisor would never try to gain an advantage by deceiving workers". The Cronbach's alpha for this scale was .84. Trust and OCB were measured by asking respondents to what extent they agreed with certain statements, using a five-point scale, from 'strongly disagree' to 'strongly agree'. Employees rated trust in their direct supervisor, whereas supervisors rated OCB of their particular employees.

## Results

In Table 3 reliabilities, means and standard deviations of the study variables are reported, as well as the correlations used as input for the multiple regression analyses (Tables 5 and 6). Because of our limited sample size a confidence interval of minimally 90% was used as the criterion for relations to be considered statistically significant.

We examined three controls in relation to OCB: gender, age and tenure. Control variables were regressed on the average OCB. The beta-coefficients for gender, age and tenure were .07 ( $p=.689$ ),  $-.11$  ( $p=.599$ ), and .01 ( $p=.960$ ) respectively. Considering these not significant results and the fact that adding extra variables costs extra degrees of freedom, thereby diminishing statistical power, these control variables were not added to the models.

H1 predicted a positive association between transformational leadership and OCB. As Table 6 shows, none of the leader behaviours, nor trust were significantly related to the OCB of the best employees. We did find a positive relation between transformational leadership and the OCB of the moderate and worst employees however, as well as between transformational leadership and the average OCB. Because there was no significant relationship with the OCB of the best employees, H1 was partly supported.

Contingent reward did have a significant association with the OCB of the moderately and worst performing employees, but not with the average OCB (Model 3, Table 6). So, H2 could only be partly confirmed.

In line with our expectations management by exception active related negatively to three out of four OCB variables, but was not significantly associated with OCB of the best employees (Table 6, Model 3). Passive management by exception was related in the expected direction to all of the OCB variables. However, the relationship with average OCB only proved to be significant. This result nevertheless indicates that leaders who postpone corrective action are unlikely to be rewarded with citizenship behaviours from their employees. Remarkably, the negative relation between passive management by

exception and OCB was much weaker than the one between OCB and active management by exception. This may indicate that the more frequently leaders provide negative feedback, the poorer the response from their employees in terms of extra effort will be. In summary, H3 was partially supported.

For testing hypothesis H4 we followed Baron and Kenny's (1986) method of mediation testing, according to which three conditions for mediation establishment need to be fulfilled: 1) the independent variables must affect the mediator; 2) the independent variables need to affect the dependent variable; 3) the mediator must affect the dependent variable. In our case the first condition is implying that transformational leadership and the dimensions of transactional leadership should be significantly related to trust in the leader. The second and third condition are indicating that both leadership and trust in the leader need to be related to the OCB variables. Moreover, the strength of the relationship between leadership and OCB should diminish when trust in the leader is added to the model.

As reported in Table 5 transformational leadership was highly related to trust in the leader (.61,  $p < .01$ ), and also to three OCB variables (Model 1, Table 6). Trust was significantly related to two out of these three OCB variables, the average OCB and OCB of the moderately performing employees. Table 6 shows that in both cases trust was fully mediating the relationship between transformational leadership and citizenship behaviour, since the beta-coefficients of transformational leadership ( $\beta = .02$ , and  $\beta = .00$ ) were no longer significant when trust was inserted into the model (Model 2). The Sobel statistics were significant for both mediation effects ( $z = 1.77$ ,  $p = .038$ ; and  $z = 1.76$ ,  $p = .040$  respectively). The same mediation effect, however, did not occur when OCB's of the best and OCB's of the worst employees were examined as the dependent variables. In case of the least performing employees this might have to do with the lack of statistical power due to the limited sample size.

Focusing on transactional leadership, Table 5 demonstrates that contingent reward, active and passive management by exception were related to trust in the leader. Allowing for the influence of the other transactional dimensions, active management by exception was negatively associated with trust in the leader, although not as strongly as its passive counterpart. Initially there appeared to be a positive relation between active management by exception and trust in the leader (see Table 3). How can this be explained? We think that the positive aspects of this leadership dimension are overlapping with, but also overruled by those of contingent reward. Because when supervisors pay attention to their personnel, either by rewarding or by actively correcting them, this may instil a certain amount of trust. However, the psychological impact of being rewarded is obviously more ensuring than that of receiving correction. So, when contingent reward with its rather strong positive influence is entering the equation, only the negative aspects of active

management by exception remain visible. These negative aspects could again be explained by the aforementioned unfavourable effects of negative feedback.

**Table 5** Regression Analyses Predicting Trust in the Leader from Transformational Leadership and Transactional Leadership (N=47)

| Predictor                       | $\beta$ | $p$  | $R^2$ |
|---------------------------------|---------|------|-------|
| <u>Model 1</u>                  |         |      |       |
| Transformational Leadership     | .61***  | .000 | .37   |
| <u>Model 2</u>                  |         |      |       |
| Transactional Leadership        |         |      |       |
| Contingent Reward               | .48***  | .000 |       |
| Management by Exception Active  | -.20*** | .007 | .43   |
| Management by Exception Passive | -.38*** | .000 |       |

\*\*\* $p < .01$  (1-tailed)

Table 6 shows trust in the leader was significantly associated with average OCB and OCB of the worst employees. Adding trust to the transactional model reduced the beta-coefficient of contingent reward in relation to OCB of the worst employees to the point of insignificance, indicating trust was fully mediating. The Sobel test showed that this mediation effect was significant within the 90% confidence interval ( $z=1.55$ ,  $p=.061$ ). Trust in the leader also fully and significantly mediated the relationship between management by exception passive and average OCB ( $z=1.46$ ,  $p=.073$ ). It partially mediated the association between active management by exception and average OCB as well as the OCB of the least performing subordinates. Sobel statistics for these mediations were significant ( $z=1.30$ ,  $p=.096$ ; and  $z=1.35$ ,  $p=.088$  respectively). When observing the link between active management by exception and OCB, we see that trust had a rather weak influence on the association between these variables. The reason for this might be that management by exception active has an ambiguous relation with trust in the leader, combining positive and negative affect.

In summary, our results are demonstrating that trust in the leader was mediating quite some of the relations between leadership and OCB. H4 was therefore partly confirmed.



**Table 6** Multiple Regression Analyses Predicting OCB's from Transformational and Transactional Leadership Dimensions, and Trust (N=47)

| Predictor                       | Dependent Variables |     |                       |                  |                    |     |             |     |
|---------------------------------|---------------------|-----|-----------------------|------------------|--------------------|-----|-------------|-----|
|                                 | OCB Best Employee   |     | OCB Moderate Employee |                  | OCB Worst Employee |     | Average OCB |     |
|                                 | $\beta$             | $p$ | $\beta$               | $p$              | $\beta$            | $p$ | $\beta$     | $p$ |
| <u>Model 1</u>                  |                     |     |                       |                  |                    |     |             |     |
| Transformational Leadership     | .09                 | .28 | .19*                  | .10 <sup>a</sup> | .22*               | .07 | .21*        | .08 |
| <u>Model 2</u>                  |                     |     |                       |                  |                    |     |             |     |
| Transformational Leadership     | .01                 | .47 | .00                   | .49              | .09                | .31 | .02         | .46 |
| Trust                           | .07                 | .26 | .32**                 | .04              | .21                | .13 | .32**       | .04 |
| <u>Model 3</u>                  |                     |     |                       |                  |                    |     |             |     |
| Contingent Reward               | -.02                | .47 | .28*                  | .08              | .26*               | .09 | .23         | .11 |
| Management by Exception Active  | .06                 | .37 | -.29*                 | .05              | -.47***            | .00 | -.44**      | .01 |
| Management by Exception Passive | -.22                | .12 | -.20                  | .13              | -.10               | .29 | -.25*       | .07 |
| <u>Model 4</u>                  |                     |     |                       |                  |                    |     |             |     |
| Contingent Reward               | -.02                | .47 | .18                   | .20              | .12                | .28 | .10         | .31 |
| Management by Exception Active  | .06                 | .37 | -.25                  | .08              | -.41**             | .01 | -.39**      | .01 |
| Management by Exception Passive | -.22                | .14 | -.12                  | .26              | .01                | .47 | -.15        | .20 |
| Trust                           | .00                 | .50 | .21                   | .14              | .29*               | .06 | .28*        | .07 |

a. More precisely this  $p$ -value was .0995. \* $p < .10$  (1-tailed); \*\* $p < .05$  (1-tailed); \*\*\* $p < .01$  (1-tailed).

## Discussion

### Limitations

The most important limitation of this study is its small sample size. Because of this, our findings cannot be generalized to the total population of small and medium-sized businesses. On the other hand, some of the relations which were not yet significant may be found to be so, once more data have been gathered and statistical power has been improved. The fact that this research was done in the Netherlands puts another restriction to the inferences that can be drawn from it. The same research done in another country might produce different results due to cultural influences. We would therefore encourage researchers to study leader behaviour in SMEs within other countries as well.

Further, the way we measured the average level of OCB, by asking the supervisors to rate their best, their worst and a moderately performing employee, may not represent the true average OCB. In future research supervisors may be asked to rate the citizenship behaviour of all of their subordinates.

Last but not least: Since the nature of this research is cross-sectional, causal relationships cannot be concluded. Longitudinal studies could help elicit causal relationships.

## Conclusions and Implications

Our research shows that supervisors in SMEs appear to influence the Organizational Citizenship Behavior of subordinates, but not of their best employees. Except for contingent reward all leadership dimensions were significantly related to average OCB. Observing the links with the other three OCB variables, the evidence is not robust. Yet, apart from management by exception passive, all leader behaviours were significantly associated to the OCB of the moderately and worst performing employees. This indicates that supervisors who engage more in transformational and contingent reward behaviours, will promote more OCB from the least and moderately performing employees. Actively correcting has the opposite effect: particularly the least performing workers seem to be de-motivated by this leader behaviour. It is not unlikely that these employees receive the toughest corrections and the most negative feedback, which is known to deteriorate people's performance (Ilgen & Davis, 2000; Ilgen et al., 1979; Kluger & DeNisi, 1996; Steelman et al., 2004). Quite remarkably, the OCB of the best employees was related to none of the leadership dimensions. This phenomenon cannot be explained by social exchange theory, but as suggested by Bolino and Turnley (2003) these employees may be more predisposed to demonstrate citizenship behaviours, because they are highly conscientious, optimistic, empathetic, team oriented, or define their jobs more broadly than others. Their personal characteristics seem to be greater predictors of OCB than their leaders' behaviour. Most probably, these employees have a personality which is positively predisposed to citizenship behaviour, and therefore cannot be influenced by their supervisors to show even more of this desired behaviour. In their meta-analysis Podsakoff and colleagues (2000) indeed found that dispositional characteristics of individual employees, like conscientiousness, positive affectivity and agreeableness, were positively related to OCB.

Leaving the not-found link between leadership and OCB of the best employees aside, trust in the leader often acted as a mediator. Predominantly in the association between transformational leadership and OCB, but also in four relationships involving a transactional leadership dimension and citizenship behaviour. So, it can be concluded that within SMEs trust in the leader is a vital commodity. This conclusion is in line with social exchange theory, which considers trust to be one of its key components (Blau, 1964; Konovsky & Pugh, 1994). Leaders who do not encourage it enough, or even discourage it through their negative feedback style, are bound to receive hardly any extra-role behaviour from their employees. Since it will be impossible to improve people's performance without correcting them, a lot of attention needs to be paid to *how* feedback is provided. Within SMEs most supervisors have not received a management education, so they might be advised to take a thorough training in feedback skills. This training should not be limited to just providing negative feedback, because contingent reward could be perceived as providing

positive feedback. Demonstrating more of this behaviour could of course improve the level of OCB within the company, since it appeals to people's emotions and therefore renders almost similar results as transformational leadership (Bass & Riggio, 2006; Kluger & DeNisi, 1996).

This study demonstrated that Bass' theory on transformational and transactional leadership is also valid within the context of SMEs. It was found that transformational leadership and contingent reward behaviour showed similar positive effects on OCB as in larger organisations (Pillai et al., 1999; Podsakoff et al., 1990). Active management by exception, though, which according to this theory should have slightly better, positive effects than passive management by exception (Bass & Riggio, 2006; Judge & Piccolo, 2004), actually showed stronger negative associations with OCB. It is unclear whether this would be the case for larger companies as well, since we are not aware of any study in which the relation between management by exception and OCB has been researched within bigger organisations. It would nevertheless be worthwhile to pay more attention to the effectiveness of management by exception in future research, not just in relation to OCB, but to other leadership outcomes also. Small and big companies would really benefit if they knew that active management by exception, or frequently providing negative feedback to employees, could render undesired negative results. By improving leaders' feedback skills, however, this can be changed for the better, thus reinforcing rather than disrupting the already positive effects of transformational and rewarding behaviours.

All in all, despite the limitations of this research, it could be concluded that in small and medium-sized businesses Organizational Citizenship Behavior can be enhanced by increasing transformational leadership and rewarding behaviours, and also by improving feedback skills. Our results suggest that trust in the leader plays a substantial role in stimulating citizenship behaviour. Moreover, leaders who are demonstrating transformational leadership and contingent reward behaviour will be capable of building trust, which is an essential ingredient for creating advantageous work relations in SMEs.

# 3

## Labour Flexibility in SMEs: The Impact of Leadership<sup>2</sup>

<sup>2</sup> This chapter is a moderated version of the article that has been published as: Mesu, J., Van Riemsdijk, M., & Sanders, K. (2013). Labour Flexibility in SMEs: The Impact of Leadership. *Employee Relations*, 35 (2), 120-138.

# Abstract

Using a sample made up of 755 employees, who rated 121 supervisors, within 50 Dutch small and medium-sized companies, we examined the relationship between transformational and transactional leadership on the one hand, and temporal and functional flexibility on the other. Further, to test whether the anticipated associations could be perceived as a social exchange between supervisor and employee, this study investigated the mediating role of affective organisational commitment. Given that our data were nested, we used a multilevel analysis for hypothesis testing.

The two dimensions of transformational leadership, i.e. visionary leadership and development stimulation, were both positively related to temporal flexibility. Contingent reward and active management by exception, both dimensions of transactional leadership, were also positively associated with temporal flexibility. All of these associations were mediated by affective organisational commitment, indicating that social exchange relationships existed. Contrary to our expectations, passive management by exception, which is viewed as representing poor transactional leadership, was positively related to temporal and functional flexibility. Affective commitment did not mediate these latter relationships. The implication of this is that, remarkably, labour flexibility can be increased by both effective and poor leadership. On the one hand, effective leadership seems to promote temporal flexibility by creating employee commitment to the organisation, while poor leadership, on the other, does not demand peoples' affective commitment but does seem to drive employees into demonstrating flexible behaviour as a way of compensating for poor management. On this basis, small and medium-sized companies are advised to improve their visionary leadership, development stimulation, contingent reward and active management by exception.

# Introduction

In order to survive, it is argued that small and medium-sized enterprises (SMEs) have to be more flexible than their larger competitors, mainly in the sense of responding more quickly to customer needs (Delmotte, Lamberts, Sels & Van Hootegem, 2002; Koch & Van Straten, 1997). If this statement is true, it may help if the individuals in these companies are also very flexible. Moreover, as suggested by Koch and Van Straten (1997) in their qualitative study among twenty Dutch small firms, employee flexibility is a normal and often a compulsory feature of smaller companies. Goudswaard (2003) and Kerkhofs, Chung and Ester (2008) nevertheless found that labour flexibility, defined as the labour force's quantitative and qualitative adaptability to the company needs, is more common in larger than in smaller firms. This would give owner-managers of smaller companies all the more reason to search for the key to success: by asking themselves what they can possibly do to improve flexible behaviour in their employees. Unfortunately, social scientists know very little about how labour flexibility can be influenced, particularly through leader behaviour. As such, there is ample reason and space to investigate this matter more deeply.

A study by Mesu, Van Riemsdijk and Sanders (2011, here included as Chapter 2) indicated that, within the context of small and medium-sized enterprises, both transformational and transactional leadership are related to Organizational Citizenship Behaviour (Organ, 1988). *Transformational leadership*, defined as leader behaviour which inspires and motivates people to perform beyond expectation (Bass, 1985), was positively related to citizenship behaviour, often labelled as 'extra-effort'. *Transactional leadership*, defined as leader behaviour focused on standard performance (Bass, 1985), was also related to Organizational Citizenship Behaviour (OCB). Since labour flexibility could also be perceived as extra-ordinary employee behaviour, its affiliation with transformational and transactional leaderships may show similar patterns. Owners and managers of SMEs could well be interested in knowing if leadership can indeed have a positive effect on labour flexibility, as it could then be a viable way to improve their much needed flexibility in the market place. This expectation, naturally, has to be tested. The first aim of this research therefore is: to investigate the relationship between transformational and transactional leadership, and labour flexibility within SMEs.

Social exchange theory (Blau, 1964) seems to offer a promising set of explanations as to why and how transformational and transactional leaderships influence employee behaviour. According to Blau, beneficial leader behaviour will be reciprocated with a growing commitment by employees, who will eventually feel obliged to put their commitment into practice by offering several services to the organisation, here represented as labour flexibility. Particularly in SMEs, this kind of social exchange may be common practice since it is often impossible to financially reward extra employee effort within such businesses

(Koch & Van Straten, 1997). From earlier studies of both large and small organisations (Bass & Riggio, 2006; Mesu, Van Riemsdijk & Sanders, 2012 [here included as Chapter 5]; Meyer, Stanley, Herscovitch & Topolnytsky, 2002; Pillai, Schriesheim & Williams, 1999; Sanders, Geurts & Van Riemsdijk, 2010) we know that transformational and transactional leadership, as well as task-oriented and people-oriented leadership are related to affective organisational commitment, defined as voluntary emotional attachment to the organisation (Allen & Meyer, 1990). However, it is not known whether affective commitment is related to labour flexibility, nor whether it actually connects labour flexibility to leadership. Since flexibility is an indispensable asset for SMEs (Koch & Van Straten, 1997), it is worth investigating the mechanisms through which it is specifically stimulated. For example, is it something that a company needs to solicit by carefully bonding employees; in other words, is labour flexibility a part of a social rather than an economic exchange? To determine whether the relationship between leadership and labour flexibility is indeed a *social* exchange, as suggested above, we have investigated the mediating role of affective commitment within this relationship. The second aim of this study therefore is: to investigate whether, within SMEs, affective organisational commitment mediates the relationship between transformational and transactional leadership on the one hand, and labour flexibility on the other.

Thus, as a specific part of our basic conceptual model (see Chapter 1), the relation between transformational and transactional leader dimensions and labour flexibility is examined in this chapter. Instead of trust in the leader, affective organisational commitment is investigated as a possible mediator. We start with a brief discussion of the literature related to labour flexibility, leader behaviour and organisational commitment, including the hypotheses we were able to derive from it. Following this, the methodological aspects and the results of this research are described. Finally, we discuss the most important findings of this study and its limitations, as well as its practical implications for small and medium-sized businesses.

## Labour Flexibility

Since Atkinson published his model of the 'Flexible Firm' (Atkinson, 1984, 1988), considerable debate has taken place about the definition of flexibility (for a full discussion see, for example, Beltrán-Martín, Roca-Puig, Escrig-Tena & Bou-Llousar 2009; Goudswaard, 2003; Piore & Sabel, 1984; Pollert, 1991; Skorstad, 2009; Skorstad & Ramsdal, 2009; Van Riemsdijk & De Leede, 2001). However, the dimensions proposed by Atkinson are still viewed as appropriate and frequently used by researchers in the field. He distinguished two dimensions of labour flexibility: numerical and functional flexibility. *Numerical flexibility*

refers to adjusting the size of the workforce to the company's needs by hiring people on fixed-term contracts or bringing in temporary workers from outside, or by adjusting the working hours of the company's core workforce. Small and medium-sized companies make little use of external sources of numerical flexibility because they cannot usually afford it (Goudswaard, 2003; Koch & Van Straten, 1997). For this reason, this study is restricted to internal numerical flexibility, which we labelled *temporal flexibility* and includes employees working overtime, adjusting their working schedule as well as adjusting the planning of their holidays and time off, in the interest of the company. Atkinson's *functional flexibility* refers to the capability of employees to take on different jobs and tasks, and to be able to switch from one job or task to another. As such, functional flexibility focuses on the multi-skilled attributes of the core internal workers. Since we expect SMEs to make less use of high performance Human Resource (HR) systems and to invest less in formal training programmes than their larger competitors (De Kok, 2003; Koch & Van Straten, 1997), functional flexibility within this study does not refer to a broadly trained or multi-skilled workforce, but rather to how often employees actually take on jobs and tasks that differ from their normal ones. Thus, alongside temporal flexibility, functional flexibility is also perceived here as extra effort by employees.

Although both numerical and functional flexibility have been researched over many years, the antecedents of labour flexibility have rarely been a focus (see also Black, 2001; Roca-Puig, Beltrán Martín, Bou Llousar & Escrig-Tena, 2008). This may have to do with this aspect's ambiguous nature. Unlike employee outcomes such as job satisfaction, affective organisational commitment and employee creativity, labour flexibility can, to a large extent, be enforced by management (Desombre, Kelliher, MacFarlane & Ozbilgin, 2006; Skorstad & Ramsdal, 2009). Where flexibility is compulsory, there is little need to look for practices to stimulate it. However, labour flexibility can also be perceived as voluntary employee behaviour or even as additional employee effort, in which case the question as to how it can be promoted becomes valid. It seems obvious that paying for overtime working may help to increase the employees' willingness (Horstman, 1999; Kufidu & Mihail, 1999; Rose, 2009), and teamwork and training programmes may also help. Goudswaard (2003), for instance, found that both investments in employee training programmes and teamwork were related to functional flexibility. Nevertheless, these variables explained only a very small proportion of the variance in functional flexibility and there remains a lack of research into other possible antecedents.



# Leadership

A theory on transformational and transactional leadership was first conceptualised by James MacGregor Burns (1978) and further elaborated by Bernard Bass (1985). Bass and Riggio (2006) eventually distinguished the following four dimensions of transformational leadership: idealized influence/charisma, inspirational motivation, intellectual stimulation and individualized consideration. *Idealized influence/charisma* reflects a leader that provides a sense of mission, wins the respect of followers and instils pride in them. *Inspirational motivation* is demonstrated by a leader articulating a compelling vision, setting attractive goals and showing confidence that the employees will achieve them. *Intellectual stimulation* is shown by a leader who stimulates employees to be innovative and creative by questioning assumptions and approaching old situations in new ways. A leader who approaches employees as individuals, rather than as members of a group, and pays special attention to their needs for development by acting as a teacher/coach, is seen as demonstrating *individualized consideration*.

Although widely used, this conceptualisation of transformational leadership has created some problems. Den Hartog, Van Muijen and Koopman (1997) observed that this four-dimensional structure may not always be identified in reality. In fact, within their study, they were not able to single out any of the four dimensions. Further, from a theoretical perspective, the distinction between idealized influence/charisma and inspirational motivation is rather problematic since charismatic leaders tend to inspire people through their vision. Furthermore, we would contend that distinguishing individualized consideration from intellectual stimulation may also be difficult given that both refer to people's development. For example, a leader engaging in intellectual stimulation will likely suggest new ways of looking at how to do a job. Likewise, when demonstrating individualized consideration, a leader will invoke similar activities by spending time teaching and coaching. Both will help people increase their knowledge and possibly further develop their skills and abilities.

For these reasons, transformational leadership will be represented in this study by two rather than four dimensions: 'visionary leadership' and 'development stimulation'. *Visionary leadership* refers to leader behaviour that is focused on achieving future goals, articulating a compelling vision and providing a sense of mission. *Development stimulation*, on the other hand, refers to leader behaviour aimed at teaching followers, stimulating them to be innovative and creative, and helping them to develop their strengths.

Transformational leadership is usually seen as having a positive psychological impact and so, based on social exchange theory, we would expect employees to reciprocate transformational leader behaviour by demonstrating extra effort, here represented by labour flexibility. For instance, if a visionary leader engenders the feeling that people are

part of an important mission, this might inspire them to spend some extra time finishing a job or spur them to stand in for an ill colleague. Further, if a supervisor stimulates peoples' development by spending extra time teaching and coaching them, employees might perceive this as having received special attention and subsequently reciprocate this gesture by working a little longer or taking on some extra tasks when needed. As discussed earlier, such a mechanism can be explained by social exchange theory which stresses the importance of socio-emotional inputs and rewards beyond the transactional exchange (Blau, 1964; Gouldner, 1960; Konovsky & Pugh, 1994). This leads to our first hypothesis:

*H1: In SMEs, both visionary leadership (H1a) and development stimulation (H1b) are positively related to temporal and functional flexibility.*

Transactional leadership is generally viewed as having three dimensions: contingent reward, management by exception active and management by exception passive. Employing *contingent rewards* reflects a leader who clarifies targets, and rewards employees when goals are achieved. *Management by exception active* refers to a leader who actively monitors deviations from standards, mistakes and errors, and takes corrective action as necessary. A leader who waits passively until deviations from standards, mistakes and errors become apparent and only then corrects employees is viewed as demonstrating *management by exception passive*.

The three dimensions of transactional leadership are rather independent of each other (Bass & Riggio 2006) and can therefore be examined separately. Contingent reward can sometimes act like a dimension of transformational leadership (Antonakis, Avolio & Sivasubramaniam, 2003), in which case the psychological impact of this leader rewarding behaviour will transcend the simple economic exchange. When leaders express genuine gratitude to their subordinates for having achieved the contracted goals, employees may feel appreciated and, as social exchange theory would suggest, reciprocate their leader's behaviour with extra effort in terms of temporal and functional flexibility. Although management by exception active is viewed as less effective than transformational leadership or contingent reward (Bass, 1985; Bass & Riggio, 2006), it still requires active leader behaviour and could therefore have a positive impact on labour flexibility. A leader who engages in management by exception active is likely to clarify peoples' roles, and adjust employees' actions, when needed, thereby winning respect from his subordinates who will then be more likely to accept a request to take on some unusual assignments or to work extra hours. Based on this, our second hypothesis reads:

*H2: In SMEs, both contingent reward (H2a) and management by exception active (H2b) are positively related to temporal and functional flexibility.*

Passive management by exception is generally positively related to *laissez faire* or non-leadership (Den Hartog et al., 1997) and usually has similar negative outcomes (Bass & Riggio, 2006; Judge & Piccolo, 2004). A leader who fails to intervene in time, for example, will lose employees' trust and commitment, and will therefore be less rewarded by extra efforts in terms of flexible employee behaviour. This leads to our third hypothesis:

*H3: In SMEs, management by exception passive is negatively related to temporal and functional flexibility.*

## Affective Organisational Commitment

Organisational commitment is a widely researched concept, and one that has been approached and measured in various ways. Alongside a behavioural approach, the concept of organisational commitment as an attitude has become increasingly popular (Mathieu & Zajac, 1990; Meyer et al., 2002; Solinger, Van Olffen & Roe, 2008). Initially this attitude was essentially defined as: 'the relative strength of an individual's identification with and involvement in a particular organization' (Mowday, Steers & Porter, 1979). However, during the 1980s, recognition was given to three major concepts within the attitudinal approach: affective, calculative and normative orientations towards commitment. From these concepts, Allen and Meyer (1990) derived their, now commonly used, three-component model, in which they renamed the calculative component as 'continuance' commitment. In this model, affective commitment refers to voluntary emotional attachment to the organisation, continuance commitment to the decision to stay with the organisation because of the costs associated with leaving, or the impossibility of finding a better job, and normative commitment to the feeling that one is morally obliged to stay with the organisation (Allen & Meyer, 1990; Meyer & Allen, 1991).

Of these three components, affective commitment was included in our study as a possible mediator in the relationship between leadership and labour flexibility. Since continuance commitment is merely focused on the economic exchange it is unlikely to play a role within social exchange relationships, and was therefore excluded from this research. As with affective commitment, normative commitment could also play a role within social exchange scenarios, although we would expect this to be less influential. In line with this reasoning, Meyer and colleagues (2002) demonstrated that transformational leadership had a strong positive relationship with affective commitment and a weaker positive relationship with normative commitment. Further, they found that affective commitment showed a stronger relationship than normative commitment with relevant organisational outcomes such as overall job performance and Organisational Citizenship Behavior. Thus, of the three commitment components mentioned, affective commitment seems most likely to have a mediating effect.

Considering the possible association between affective organisational commitment and labour flexibility, we see that there is hardly any substantial research that addresses this link. A study by Rose (2009) found that employees who more frequently voluntarily engage in overtime working and job-stretching (taking on tasks which are not included in their job description) might be somewhat more attached to the organisation. Apart from this tentative finding, one is somewhat stumbling in the dark. Nevertheless, we do believe that there is a theoretical rationale for expecting affective organisational commitment to have a mediating role in the relationship between leadership and labour flexibility. This is because, based on social exchange theory, one can reason that beneficial leadership, that is visionary leadership, development stimulation, contingent reward and active management by exception, will promote trust among employees in the leadership. The employees will therefore feel more emotionally attached to the organisation, and will subsequently be prepared to put in greater effort, when their leader asks for it, by working at unusual times and taking on different tasks. In the event of passive management by exception, when the leadership is detrimental, we would expect the opposite to occur. Our fourth hypothesis is therefore:

*H4: In SMEs, affective organisational commitment mediates the relationship between transformational and transactional leadership, on the one hand, and temporal and functional flexibility on the other.*

## Method

### Sample and Procedure

Our sample of 755 employees, who rated 121 direct supervisors, was drawn from 50 different companies, allowing us to test our hypotheses in a wide variety of organisations. The participating companies ranged from ICT businesses to health- and child-care organisations, from high-tech enterprises to agricultural companies, pubs and restaurants. Overall, there were 19 manufacturing and 31 non-manufacturing companies. These 50 organisations employed 56 people on average ( $SD=43.8$ ), with a minimum of 10 and a maximum of 240 employees. The average age of employees was 35.6 years ( $SD=11.3$ ), their average tenure was 7.2 years ( $SD=8.1$ ), 68% were male, and 45% had a college degree. The average age of the supervisors rated was 38.8 years ( $SD=10.2$ ), they had been with their present company for 10.4 years on average ( $SD=9.5$ ), 83% were male and 49% had a degree.

Questionnaires were completed at work and at prearranged times. As such, employees who were for example ill that day, or were on a holiday, did not participate. In total 755 employees rated their direct supervisor's leader behaviour, their own affective

organisational commitment and labour flexibility. This amounts to an average of about six employees per supervisor (with a minimum of three and maximum of forty employees). Since the data were nested, a multilevel analysis was conducted, which provides a more rigorous testing method than ordinary regression analysis (Bickel, 2007).

## Measures

Leader behaviour was measured using the MLQ, Form 5X (Bass & Avolio 2004). Employees were asked how frequently their supervisors demonstrated certain leader behaviours on a five-point scale, ranging from 'not at all' to 'frequently, if not always'.

The transformational leader behaviour scale consisted of 16 items with each of its four dimensions (idealized influence, inspirational motivation, intellectual stimulation and individualized consideration) reflected in four items. Given that these four dimensions are generally expected to be mutually reinforcing and can be grouped together as a single construct (Antonakis et al., 2003; Bass & Riggio, 2006), we first conducted a Confirmatory Factor Analysis (CFA), using *Mplus*, to test the validity of a one-dimensional model. However, this resulted in a poor fit (CFI=.870, TLI=.850, RMSEA=.082, SRMR=.049) and so we tried a model with the aforementioned four dimensions, but this model also proved unsatisfactory due to excessive overlapping among the dimensions. We therefore continued by using CFA in an exploratory fashion and found that a two-dimensional model provided the best fit (CFI=.946, TLI=.932, RMSEA=.069, SRMR=.038). The first, *visionary leadership*, (Cronbach's alpha  $\alpha = .85$  (Table 1)) was measured using four items that normally tap into inspirational motivation and two items that ordinarily tap idealized influence. The other two items belonging to idealized influence referred to the beliefs, values and ethics of leaders, and these were discarded. This was not only for statistical reasons, but also because their content was least related to future goal achievement, a feature which the other six items shared. The second dimension of transformational leadership, referred to as *development stimulation* ( $\alpha=.82$ ), also turned out to be measured through six items. The four items for intellectual stimulation and two of the items referring to individualized consideration were used to tap this newly formed dimension. All six items referred to teaching and coaching employees whereas the two discarded items were focused on treating employees as individuals. The visionary leadership scale contained items such as: "Talks optimistically about the future", whilst the development stimulation scale included items such as: "Suggests new ways of looking at how to complete assignments".

**Table 1** Reliabilities, Means, Standard Deviations (SD), and Correlations of Study Variables

| Variables                           | $\alpha$ | Means (SD)  | (1)    | (2)   | (3)    | (4)    | (5)    | (6)    | (7)    | (8) | (9)   |
|-------------------------------------|----------|-------------|--------|-------|--------|--------|--------|--------|--------|-----|-------|
| (1) Age                             |          | 35.6 (11.3) |        |       |        |        |        |        |        |     |       |
| (2) Education                       |          | 2.0 (.72)   | -.34** |       |        |        |        |        |        |     |       |
| (3) Visionary Leadership            | .85      | 3.5 (.71)   | -.06   | .19** |        |        |        |        |        |     |       |
| (4) Development Stimulation         | .82      | 3.4 (.69)   | -.16** | .13** | .68**  |        |        |        |        |     |       |
| (5) Contingent Reward               | .73      | 3.3 (.73)   | .15**  | .18** | .72**  | .74**  |        |        |        |     |       |
| (6) Management by Exception Active  | .68      | 3.4 (.73)   | .10**  | -.09* | .35**  | .43**  | .43**  |        |        |     |       |
| (7) Management by Exception Passive | .69      | 2.5 (.71)   | .00    | -.02  | -.32** | -.33** | -.27** | -.25** |        |     |       |
| (8) Affective Commitment            | .71      | 3.5 (.64)   | .10**  | -.02  | .35**  | .32**  | .33**  | .17**  | -.14** |     |       |
| (9) Temporal Flexibility            | .69      | 3.0 (.81)   | -.02   | .02   | .11**  | .09*   | .10**  | .11**  | .08*   | .07 |       |
| (10) Functional Flexibility         | .66      | 2.8 (.72)   | -.10** | .06   | -.04   | .02    | .03    | -.01   | .16**  | .00 | .28** |

\* $p < .05$  (2-tailed); \*\*  $p < .01$  (2-tailed)

Transactional leadership was measured using separate scales for contingent reward, management by exception active and management by exception passive, since these dimensions seem to act rather independently (Bass & Riggio, 2006). The reliability of the four-item *contingent reward* scale was satisfactory ( $\alpha=.73$ ). A typical item on the contingent reward scale read: “Provides me with assistance in exchange for my efforts”. Initially, the Cronbach’s alpha for *management by exception active* ( $\alpha= .58$ ) was unacceptably low but, by removing one out of four items, reliability was improved to  $\alpha=.68$ . A sample item on the remaining three-item scale for management by exception active was: “Keeps track of all mistakes”. The Cronbach’s alpha for the *management by exception passive* scale was an acceptable .69 and a representative item: “Waits for things to go wrong before taking action”.

*Affective organisational commitment* was measured by using Allen and Meyer’s (1990) eight-item scale. Employees were asked to what extent they agreed with statements concerning their own commitment, using a five-point scale ranging from ‘totally disagree’ to ‘totally agree’. An example item reads: “I really feel as if this organisation’s problems are my own”. The Cronbach’s alpha for this scale was .71.

To measure *temporal flexibility* we constructed a three-item scale, and for the *functional flexibility* scale we used three slightly modified items from a study by Goudswaard (2003). All the items are reported in Table 2. Employees were asked how frequently they engaged in various flexible behaviours on a five-point scale, from ‘not at all’ to ‘frequently, if not always’. As shown in Table 1, the reliability of these scales was .69 and .66 respectively. The CFA showed that all the flexibility items loaded onto their intended factors (Table 2).

**Table 2** Factor-analysis of Temporal and Functional Flexibility

| Items  | Factor 1 | Factor 2 |
|--|----------|----------|
| 1. How often are you working overtime?   | .556     |          |
| 2. How often are you adjusting your working schedule in the interest of your company?  | .899     |          |
| 3. How often are you rescheduling time-off or holidays at the request of your company? | .561     |          |
| 4. How often are you performing unusual tasks?   |          | .649     |
| 5. How often are you taking over co-worker tasks ?                                     |          | .754     |
| 6. How often are you taking over supervisor tasks ?                                    |          | .511     |

Confirmatory Factor Analysis (RMSEA= .065, CFI=.970 , TLI=.944 , SRMR=.034 ).

## Results

In Table 1, the reliabilities, means, standard deviations and correlations between the studied variables are presented. The rather low mean scores for temporal (3.0) and functional (2.8) flexibility are quite remarkable since these imply that employees only 'sometimes' engage in flexible behaviours. Though measured at the individual level, these results seem somewhat contradictory in light of the rather general impression that small and medium-sized companies are rather flexible organisations (see for example Koch & Van Straten, 1997; Skorstad, 2009).

Turning to the control variables, the multilevel analyses showed that the educational level of employees was not related to either temporal or functional flexibility, but age and gender were significantly related to functional flexibility (Tables 3, 4, 5 and 6). Younger employees more frequently engaged in functional flexibility behaviours than older ones, and male employees more often than female employees. The findings concerning gender correspond with earlier findings by Goudswaard (2003) and by Van der Stelt and De Voogd-Hamelink (2010). However, unlike us, Van der Stelt and De Voogd-Hamelink found that older people were more often functionally flexible than younger people.

Our first two hypotheses predicted positive associations between visionary leadership, development stimulation, contingent reward and management by exception active, and both types of labour flexibility. Tables 3 and 4 illustrate our findings that all these leadership dimensions were positively related to temporal flexibility, but not significantly to functional flexibility. Effective leadership thus seems to make employees more willing to work overtime and to adjust their working time if necessary, but does not seem to encourage them to take on different tasks. As such, H1a, H1b, H2a and H2b were partly confirmed.

Contrary to our prediction, management by exception passive was positively related to both temporal and functional flexibility. H3 was therefore rejected.

Hypothesis 4 predicted a mediating role for affective organisational commitment in the relationship between leadership and labour flexibility. In testing this hypothesis, we followed Baron and Kenny's (1986) method for mediation testing, according to which three conditions need to be fulfilled for mediation to be established: 1) the independent variables must affect the mediator; 2) the independent variables need to affect the dependent variable; and 3) the mediator must affect the dependent variable. In our situation, the first condition requires both transformational leadership and transactional leadership dimensions to be significantly related to affective organisational commitment. The second and third conditions mean that both leadership and affective commitment need to be related to labour flexibility. Moreover, the relative strength of the relationship between leadership and labour flexibility should fall when affective organisational commitment is added to the model.



**Table 3** Multilevel Analyses: Effects of Transformational Leadership on Temporal Flexibility (N=755)

|                              | Null Model            | Model 1               | Model 2               | Model 3               | Model 4               |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fixed Effects <sup>a</sup>   | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> |
| Intercept                    | 2.405 (.000)          | 2.216 (.000)          | 2.515 (.000)          | 2.295 (.000)          | 2.295 (.000)          |
| Gender                       | .077 (.180)           | .075 (.185)           | .065 (.219)           | .066 (.217)           | .066 (.217)           |
| Age                          | .000 (.463)           | .000 (.472)           | .001 (.416)           | .000 (.477)           | .000 (.477)           |
| Education                    | .026 (.302)           | .036 (.242)           | .033 (.257)           | .041 (.206)           | .041 (.206)           |
| Visionary Leadership         | .112** (.005)         | .084* (.035)          |                       |                       |                       |
| Development Stimulation      |                       |                       | .080* (.033)          |                       | .047 (.155)           |
| Commitment                   |                       | .082* (.046)          |                       |                       | .096* (.024)          |
| -2 Restricted Log Likelihood | 1723                  | 1714                  | 1715                  | 1715                  | 1715                  |

a. Business type was also controlled for, but was not included in the models. Temporal flexibility in 31 non-manufacturing firms was not significantly different (B=-.059,  $p=.321$ ) from that in 19 manufacturing firms (dummy); b. Significance (1-tailed); \* $p<.05$ ; \*\* $p<.01$ .

**Table 4** Multilevel Analyses: Effects of Transactional Leadership on Temporal Flexibility (N=755)

|                              | Null Model            | Model 5               | Model 6               | Model 7               | Model 8               | Model 9               | Model 10              |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fixed Effects <sup>a</sup>   | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> |
| Intercept                    | 2.510 (.000)          | 2.280 (.000)          | 2.480 (.000)          | 2.193 (.000)          | 2.544 (.000)          | 2.544 (.000)          | 2.039 (.000)          |
| Gender                       | .068 (.209)           | .068 (.208)           | .090 (.141)           | .094 (.132)           | .055 (.256)           | .055 (.256)           | .059 (.241)           |
| Age                          | .001 (.414)           | .000 (.495)           | -.001 (.402)          | -.001 (.341)          | .000 (.479)           | .000 (.479)           | -.001 (.426)          |
| Education                    | .029 (.282)           | .039 (.219)           | .039 (.216)           | .048 (.170)           | .029 (.279)           | .029 (.279)           | .042 (.201)           |
| CR                           | .083* (.022)          | .054 (.107)           |                       |                       |                       |                       |                       |
| MEA                          |                       |                       | .092* (.010)          | .074* (.033)          |                       |                       |                       |
| MEP                          |                       | .093* (.026)          |                       |                       | .107** (.009)         |                       | .122** (.001)         |
| Commitment                   |                       |                       |                       | .098* (.017)          |                       |                       | .132** (.002)         |
| -2 Restricted Log Likelihood | 1723                  | 1716                  | 1717                  | 1681                  | 1681                  | 1711                  | 1707                  |

a. Business type was also controlled for, but was not included in the models. Temporal flexibility in 31 non-manufacturing firms was not significantly different (B=-.059,  $p=.321$ ) from that in 19 manufacturing firms (dummy); b. Significance (1-tailed); \* $p<.05$ ; \*\* $p<.01$ .

**Table 5** Multilevel Analyses: Effects of Transformational Leadership on Functional Flexibility (N=755)

| Fixed Effects <sup>a</sup>   | Null Model            | Model 1               | Model 2               | Model 3               | Model 4               |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                              | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> |
| Intercept                    | 2.631 (.000)          | 2.569 (.000)          | 2.546 (.000)          | 2.509 (.000)          | 2.509 (.000)          |
| Gender                       | .265** (.000)         | .264** (.000)         | .267** (.000)         | .266** (.000)         | .266** (.000)         |
| Age                          | -.004 (.047)          | -.004 (.042)          | -.004 (.046)          | -.004 (.043)          | -.004 (.043)          |
| Education                    | .056 (.098)           | .059 (.089)           | .055 (.101)           | .056 (.098)           | .056 (.098)           |
| Visionary Leadership         | .004 (.457)           | -.005 (.449)          |                       |                       |                       |
| Development Stimulation      |                       |                       | .030 (.216)           | .024 (.276)           | .024 (.276)           |
| Commitment                   |                       | .027 (.265)           |                       | .017 (.350)           | .017 (.350)           |
| -2 Restricted Log Likelihood | 1570                  | 1559                  | 1563                  | 1554                  | 1558                  |

a. Business type was also controlled for, but was not included in the models. Functional flexibility in 31 non-manufacturing firms was not significantly different (B=-.093,  $p=.149$ ) from that in 19 manufacturing firms (dummy); b. Significance (1-tailed); \*  $p<.05$ ; \*\*  $p<.01$ .

**Table 6** Multilevel Analyses: Effects of Transactional Leadership on Functional Flexibility (N=755)

| Fixed Effects <sup>a</sup>   | Null Model            | Model 5               | Model 6               | Model 7               | Model 8               | Model 9               | Model 10              |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                              | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> | B (Sig.) <sup>b</sup> |
| Intercept                    | 2.556 (.000)          | 2.514 (.000)          | 2.514 (.000)          | 2.665 (.000)          | 2.582 (.000)          | 2.261 (.000)          | 2.067 (.000)          |
| Gender                       | .267** (.000)         | .267** (.000)         | .267** (.000)         | .276** (.000)         | .276** (.000)         | .254** (.000)         | .254** (.000)         |
| Age                          | -.004 (.053)          | -.004 (.050)          | -.005* (.024)         | -.005* (.024)         | -.005* (.022)         | -.004* (.043)         | -.004* (.035)         |
| Education                    | .055 (.102)           | .057 (.097)           | .059 (.088)           | .059 (.088)           | .060 (.083)           | .053 (.107)           | .057 (.095)           |
| CR                           | .025 (.243)           | .020 (.305)           |                       |                       |                       |                       |                       |
| MEA                          |                       |                       | -.002 (.472)          | -.002 (.472)          | -.008 (.417)          |                       |                       |
| MEP                          |                       | .018 (.341)           |                       |                       |                       | .160** (.000)         | .166** (.000)         |
| Commitment                   |                       |                       |                       | .029 (.242)           | .029 (.242)           | .051 (.100)           | .051 (.100)           |
| -2 Restricted Log Likelihood | 1570                  | 1558                  | 1563                  | 1542                  | 1546                  | 1534                  | 1537                  |

a. Business type was also controlled for, but was not included in the models. Functional flexibility in 31 non-manufacturing firms was not significantly different (B=-.093,  $p=.149$ ) from that in 19 manufacturing firms (dummy); b. Significance (1-tailed); \*  $p<.05$ ; \*\*  $p<.01$ .

As shown in Table 7, the leadership dimensions were significantly associated with affective organisational commitment, and all in the expected direction. Thus, the first condition for mediation was met. With regard to temporal flexibility, the second condition was also fulfilled, although management by exception passive was also positively related to this dependent variable whereas we had hypothesised a negative relationship. When affective organisational commitment was added to models 2, 4, 6, 8, and 10 (see Tables 3 and 4), it was found to be significantly related to temporal flexibility in four of the five models. In model 2, which included visionary leadership, the coefficient reflecting the link between commitment and temporal flexibility was significant at the 95% confidence level. The regression coefficient for visionary leadership decreased when affective commitment was added to the model but remained significant. Thus, the relationship between visionary leadership and temporal flexibility was partially mediated by affective commitment in our study. A Sobel test confirmed this mediation effect ( $z=1.66$ ,  $p=.048$ ). The links of both development stimulation and contingent reward with temporal flexibility were fully mediated by affective organisational commitment. In both cases, the regression coefficient of the leadership dimension was no longer significant after adding commitment to models 4 (Table 3) and 6 (Table 4). Both mediation effects were confirmed by Sobel tests ( $z=1.95$ ,  $p=.03$  and  $z=1.90$ ,  $p=.03$  respectively). Affective organisational commitment partially mediated the relationship between management by exception active and temporal flexibility. The direct link between these variables remained significant, but became weaker, when commitment was added to the equation. Once again, the mediation effect was supported by the results of a Sobel test ( $z=2.01$ ,  $p=.02$ ). However, the relationship between management by exception passive and temporal flexibility was not mediated by affective organisational commitment. In fact, when commitment was added to model 10 (Table 4), the direct association between passive management by exception and temporal flexibility became slightly stronger. The results reported in Tables 3 and 4 indicate that effective leadership increases temporal flexibility both directly and also indirectly through its positive influence on affective organisational commitment. While management by exception passive does directly affect temporal flexibility, affective organisational commitment plays no role within this relationship.

Turning to the effect on functional flexibility, the second condition set by Baron and Kenny (1986) was not met by the independent leadership variables, with the exception of management by exception passive. As model 10 (see Table 6) demonstrates, affective organisational commitment was not significantly related to functional flexibility. As such, we did not find affective commitment having any mediation effect in the relationship between leader behaviour and functional flexibility. Hypothesis 4 was therefore only partially supported.

**Table 7** Multilevel Analyses: Effects of Transformational and Transactional Leadership on Affective Commitment (N=755)

|                            | <b>Model 1</b> | <b>Model 2</b> | <b>Model 3</b> | <b>Model 4</b> | <b>Model 5</b> |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| Fixed Effects <sup>a</sup> | B (Sig)        | B (Sig)        | B (Sig)        | B (Sig)        | B (Sig)        |
| Visionary Leadership       | .324 (.000)    |                |                |                |                |
| Development Stimulation    |                | .313 (.000)    |                |                |                |
| Contingent Reward          |                |                | .287 (.000)    |                |                |
| MEA                        |                |                |                | .189 (.000)    |                |
| MEP                        |                |                |                |                | -.115 (.000)   |

a. MEA=Management by Exception Active, MEP=Management by Exception Passive.

## Discussion

In this study, we have examined the relationship between transformational and transactional leader behaviours, on the one hand, and both temporal and functional flexibility on the other. Further, it was investigated whether the predicted associations could be perceived as social exchange relationships. To this end, affective organisational commitment was included in our models as a possible mediator. In relation to hypothesis testing, three findings should be discussed.

Firstly, the most important finding is that effective leadership, as represented by visionary leadership, development stimulation, contingent reward and management by exception active, was positively related to temporal, but not to functional flexibility. Given the mediating role of affective organisational commitment, the association between leadership and temporal flexibility can be perceived as a social exchange relationship in which beneficial leader behaviour is reciprocated by employees' temporal flexibility.

Secondly, effective leadership and social exchange do not seem to lead to functional flexibility in SMEs. However, it may be that other factors hinder employees in demonstrating extra effort in terms of functional flexibility. The way production is organised, a limited range of skills, limited financial resources, rigid job descriptions or the absence of a genuine need for functional flexibility could all be important impediments. Future research could usefully investigate these matters further.

Thirdly, unlike effective leadership, management by exception passive influenced both temporal and functional flexibility. It seems that supervisors who do not manage things well cause employees to work extra hours or to perform non-routine tasks. Although this might suggest high commitment, the results show otherwise since affective organisational commitment did not mediate the relationship between passive management by exception and either type of labour flexibility. It seems that employees feel more-or-less obliged to

be flexible as a consequence of poor management, and this could have possible negative effects in the longer run, for both employees and employers (also see Kerkhofs et al., 2008; Skorstad & Ramsdal, 2009).

Apart from the outcomes of hypothesis testing, one other finding that should be discussed concerns the level of labour flexibility that was found in our SME sample. The results indicate that the average levels of both temporal and functional flexibility were rather low. This does not necessarily imply that employees lacked positive attitudes towards flexible behaviour: there might simply be few opportunities to put it into practice. Possibly, the majority of the firms surveyed were well established in their place in the market (86% had existed for at least ten years), and did not have to continuously respond to changing customer needs and be as flexible as suggested by some scholars (Koch & Van Straten, 1997; Skorstad, 2009). Maybe, as others have particularly found with regard to functional flexibility (Goudswaard, 2003; Van der Stelt & De Voogd-Hamelink, 2010), SMEs are generally less flexible than larger firms. The relative lack of financial resources (Delmotte et al., 2002; Koch & Van Straten, 1997) may, for example, restrict them in investing in advanced production techniques and hiring the necessary multi-skilled labourers.

Further, small companies seem to develop their HR blueprint in the early stages of their existence and this proves difficult to change in the course of time (Baron & Hannan, 2002). Although Baron and Hannan (2002) largely refer to employment relations, we would not be surprised if other features such as working schedules, task allocations and job specifications are also far more fixed through habit than some of the literature suggests (Koch & Van Straten, 1997; Heneman, Tansky & Camp, 2000), thereby impeding labour flexibility within SMEs. Further research is required to determine why labour flexibility in SMEs is not as high as one might expect.

### **Limitations**

One limitation of this study is that our sample of 50 companies was not a perfect reflection of the total population of small and medium-sized businesses in the Netherlands. Some branches are for example underrepresented, whilst others are overrepresented. The fact that this research was done in the Netherlands puts another limitation on the inferences that can be drawn from it. The effectiveness of certain leader behaviours may depend on cultural influences (Den Hartog, House, Hanges & Ruiz-Quintanilla, 1999) and the situation regarding labour flexibility may also depend on national cultures (Black, 2001). We would therefore encourage researchers to study leader behaviour as related to labour flexibility in other countries. Last, but not least, causal relationships cannot be established since this research is cross-sectional in nature. Longitudinal studies could elicit causal relationships.

## Conclusions

The complex nature of labour flexibility has, once again, come to the fore in this study. There is a variety of reasons why labour flexibility may or may not occur in the workplace: a) it can be positively stimulated by effective leadership; b) it can be more-or-less enforced by poor management; c) maybe it does not depend on leadership at all, but on other factors; and d) it may not depend on leadership *alone*, but *also* on other factors (alongside affective commitment) that still need to be uncovered.

If one was asked to advise owner-managers of small and medium-sized companies about increasing labour flexibility in their organisation, what would one suggest? Firstly, functional flexibility does not seem to be influenced by effective leadership as such, so alternative factors need to be investigated. Secondly, our results show that temporal flexibility is best promoted by improving supervisors' skills in terms of visionary leadership, development stimulation, contingent reward and active management by exception. Thus, supervisors in SMEs have several options for increasing their impact on employees. They could for example work on articulating a more inspiring vision and creating a stronger sense of mission, or put some extra effort into developing their subordinates. Stating more clearly what people can expect in return for achieving their goals might also help, as might providing employees with useful feedback. Some supervisors might want to try a combination of these approaches. Finally, if labour flexibility is to prove beneficial in the long term for all the parties involved, it should be built on effective rather than ineffective leadership.



# 4

The Impact of Leader Behaviour  
on Employee Outcomes in Small to  
Medium-Sized Enterprises:  
The Mediating Role of Trust in the  
Leader



# Abstract

In a sample of 755 employees, who rated 121 direct supervisors within 50 Dutch small and medium-sized enterprises, we investigated the impact of transformational and transactional leader behaviour on employees' affective organisational commitment and temporal flexibility. Using structural equation modelling it was tested whether trust in the leader mediated the relations between transformational and transactional leadership on the one hand, and employees' affective organisational commitment and temporal flexibility, on the other. Transformational leadership was measured by two dimensions: visionary leadership and development stimulation. Trust mediated the relationship between development stimulation and affective commitment, as well as the association between transactional leadership, as represented by passive management by exception, and temporal flexibility. Small and medium-sized enterprises are advised to intensify development stimulation, if they wish to solicit higher levels of employees' trust, affective organisational commitment and temporal flexibility.

# Introduction

The impact of transformational and transactional leader behaviour on employee attitudes and behaviours has been researched in a wide variety of organisations (Bass & Bass, 2008; Bass & Riggio, 2006). Yet, most of these organisations could be typified as 'large'. Within the context of small and medium-sized enterprises empirical research of *transformational leadership*, defined as leader behaviour that inspires and motivates people to perform beyond expectation, and *transactional leadership*, defined as leader behaviour focused on standard performance (Bass, 1985), is still scarce.

Studies focused on transformational and transactional leadership in small and medium-sized enterprises (SMEs) appear to share some commonalities. First, some only take the effectiveness of transformational leadership into account, thereby discarding the influence of transactional leadership (Ling, Simsek, Lubatkin & Veiga, 2008). Second, transformational leadership is often measured as a one-dimensional construct and as a consequence little is known about the effectiveness of its different dimensions (Ling et al., 2008; Mesu, Van Riemsdijk & Sanders, 2011 [here included as Chapter 2]). Third, little attention has been paid to the mechanism by which leadership may influence certain outcomes (see Eddleston, 2008; Eddleston, Chrisman, Steier & Chua, 2010). Fourth, most empirical studies take only one employee outcome into account (Ling et al. 2008; Mesu, Van Riemsdijk & Sanders, 2012 [here included as Chapter 5]). This study therefore tries to extend the literature by examining a more comprehensive model including several dimensions of transformational *and* transactional leadership, trust in the leader as a possible mediator, and two employee outcomes (affective organisational commitment and temporal flexibility).

Since *trust in the leader*, defined as employees' faith in and loyalty to their immediate supervisor (Podsakoff, MacKenzie, Moorman & Fetter, 1990), was found to mediate the relation between several transformational and transactional leader dimensions and Organizational Citizenship Behavior (OCB) in the context of SMEs (Mesu et al., 2011), we propose that it may also mediate the relation between transformational and transactional leadership, and other employee outcomes. In small and medium-sized enterprises particularly, where people need to work very closely together (Koch & Van Straten, 1997), it may be crucial that leaders first win people's trust before they can expect employees to reciprocate leader behaviour with positive attitudes and behaviours, such as affective organisational commitment and temporal flexibility.

As employee commitment is highly valued by small business owners (Koch & Van Straten, 1997), we included *affective organisational commitment* (Allen & Meyer, 1990; Meyer, Stanley, Herscovitch & Topolnysky, 2002), defined as voluntary emotional attachment to the organisation, as a dependent variable in our model. Another reason for the inclusion

of affective commitment in this study is that previous research demonstrated affective organisational commitment to be positively related to transformational and transactional leader behaviour in large organisations (see Bass & Riggio, 2006; Bycio, Hackett & Allen, 1995; Pillai, Schriesheim & Williams, 1999). So, it is not unlikely that we may find similar associations within the context of SMEs.

Alongside affective commitment, we examined *temporal flexibility*, which we define as employees working overtime, adjusting their working schedule, as well as adjusting the planning of their holidays and time off in the interest of the company, as a second dependent variable in our model. Since owner-managers of small and medium-sized companies indicate that they need employees' flexible behaviour if they wish to survive in their competitive surroundings (Delmotte, Lamberts, Sels & Van Hootegeem, 2002; Koch & Van Straten, 1997), we considered it useful to include this employee behaviour. Temporal flexibility can be regarded as part of Atkinson's (1984, 1988) numerical flexibility, which refers to adjusting the quantity of the workforce to the company's needs by adjusting the working hours of the core workforce inside the company or by hiring people with a fixed-term contract or temporary workers from outside. It could thus be referred to as internal numerical flexibility.

The relations between the different elements in our model are explained from social exchange theory (Blau, 1964), which has been extensively used by other scholars to explain human interaction (see for example Aryee, Budhwar & Chen, 2002; Deluga, 1994; Dirks & Ferrin, 2002; Konovsky & Pugh, 1994; Pillai et al., 1999). According to Blau (1964) a distinction should be made between economic and social exchange, because economic exchange implies clearly defined obligations between persons, whilst social exchange is characterized by unspecified reciprocal favours. When an employee gets paid for work done, as agreed beforehand, this is obviously an example of economic exchange, but when she spontaneously works the extra hour in return for praise she recently received from her supervisor, this is exemplifying social exchange. In line with Blau's theory this extra employee effort can be triggered by beneficial leader behaviour, which builds trust in the leader and employee commitment, and can eventually be put into practice by the employee when she offers a return service.

Small and medium-sized enterprises particularly may have to rely on social exchange relationships, not only because people need to work very closely together within these companies, but also because these businesses have less financial means to pay for employee effort than their larger competitors (Delmotte et al., 2002; Koch & Van Straten, 1997). For these reasons Blau (1964) seems to offer an appropriate theory for explaining the mechanisms by which leadership may affect employee attitudes and behaviours in SMEs.

This study continues by explaining our conceptual model which differs from the basic conceptual model as presented in Chapter 1, since it does not include OCB as a dependent variable. Next, our research method and results will be discussed, followed by the limitations and practical implications.

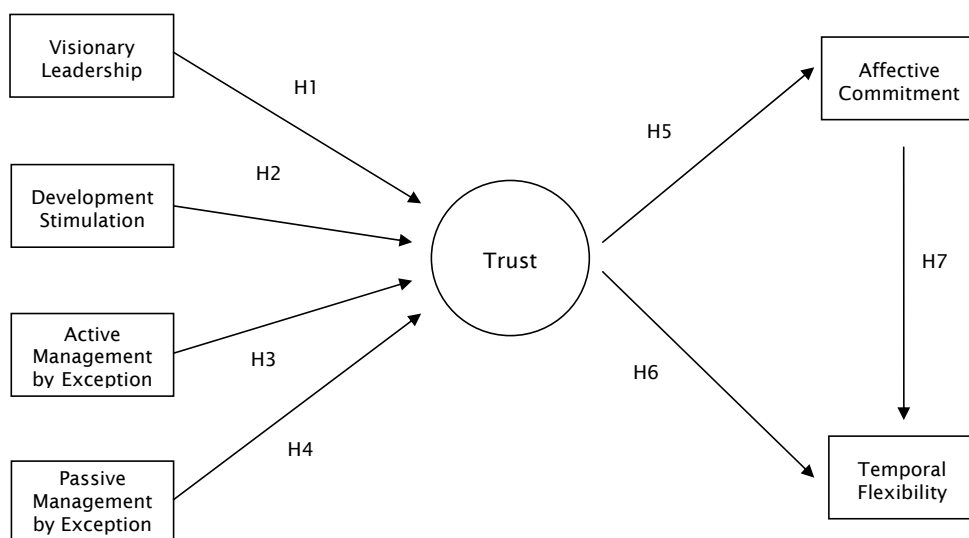
## Conceptual Model

Transformational leadership has been found to be positively related to trust in the leader (Bass & Riggio, 2006; Dirks & Ferrin, 2002; Pillai et al. 1999; Podsakoff, MacKenzie, Moorman & Fetter, 1990). In this study we included two dimensions of transformational leadership as independent variables in our conceptual model (Figure 1), rather than the more commonly used four dimensions: idealized influence/charisma, inspirational motivation, intellectual stimulation and individualized consideration (Bass & Riggio, 2006). Although widely used, this conceptualisation of transformational leadership may be problematic. As demonstrated by Den Hartog, Van Muijen and Koopman (1997) this four-dimensional structure may not always be found. Also from a theoretical point of view it may be difficult to separate these four dimensions. For example, a leader engaging in intellectual stimulation will likely suggest new ways of looking at how to do a job. Likewise, when demonstrating individualized consideration, a leader will invoke similar activities by spending time teaching and coaching. Both will help people increase their knowledge and possibly further develop their skills and abilities. In addition, it may also be problematic to make a clear distinction between idealized influence/charisma and inspirational motivation, since charismatic leaders tend to inspire people through their vision.

For these reasons, transformational leadership will be represented in this study by two rather than four dimensions: 'visionary leadership' and 'development stimulation'. We propose that *visionary leadership*, which we define as leader behaviour that is focused on reaching future goals, articulating a compelling vision and promoting a sense of mission, will be positively related to trust in the leader. Because a leader who openly communicates to his employees which direction the company is taking and therefore supplies them with necessary information that might influence their jobs, will be seen as a leader that can be trusted. *Development stimulation*, which we define as leader behaviour aimed at teaching followers, stimulating them to be innovative and creative, and helping them to develop their strengths, will also promote trust in the leader. By spending time with his or her employees and by helping them such a leader will be able to create a closer bond. In turn, employees will get to know their leader better, may appreciate his or her support, and start to grow a feeling of trust. Thus, our first two hypotheses:

- H1: In SMEs, visionary leadership is positively related to trust in the leader.  
 H2: In SMEs, development stimulation is positively related to trust in the leader.

Transactional leadership occurs when the leader rewards or corrects the employee. Bass and Riggio (2006) distinguished three dimensions. *Contingent reward* refers to leaders who clarify goals and reward employees when goals are achieved. *Active management by exception* is defined as leaders actively monitoring deviances from standards, mistakes and errors, and taking corrective action as necessary, and *passive management by exception* is defined as leaders passively waiting until deviances form standards, mistakes and errors occur and only then correcting employees.



**Figure 1** Conceptual Model

Although many scholars have stressed the economic nature of transactional leadership (Bass, 1985; Pillai et al., 1999; Podsakoff et al.; 1990), we expect that this kind of leader behaviour too will have psychological consequences beyond the economic exchange and will therefore influence employees' perceptions of leader trustworthiness. Particularly in small and medium-sized organisations, where relationships are bound to be rather intense. Since it is already known that contingent reward can be transformational when the reward is psychological (Antonakis, Avolio, and Sivasubramaniam, 2003; Bass & Riggio, 2006) we discarded it here and only included the 'purely' transactional dimensions in our conceptual model.

We propose that active management by exception might enhance trust in the leader, since it provides employees with clarity about the standard performance that is expected from them. Another reason why this leader behaviour might have a positive effect on employees' perceptions of leader trustworthiness is because it can be perceived as feedback that is provided timely. As reported by Ilgen, Fisher and Taylor (1979) timely feedback is usually more effective than untimely provided feedback. Thus, in contrast, we predict that passive management by exception, which can be perceived as delayed feedback or feedback that comes too late, will be negatively related to trust in the leader. In addition, a leader who demonstrates this behaviour does not provide much clarity about standard performance, and will send out a message that he or she is not in control and therefore cannot be trusted. So, a leader who engages in passive management by exception will lose people's trust. From this, our next hypotheses:

*H3: In SMEs, active management by exception is positively related to trust in the leader.*

*H4: In SMEs, passive management by exception is negatively related to trust in the leader.*

In spite of the findings by Pillai et al. (1999) in large organisations, who did not identify a relation between trust and organisational commitment in their final model, we predict that a growing amount of trust in the leader will render a higher level of affective organisational commitment. Especially within the context of SMEs, where leaders and employees need to establish close relationships between themselves, trust is expected to play a crucial role in soliciting people's commitment. If leaders are capable of building trust among their employees, then - in line with social exchange theory - this will be reciprocated by employees' growing attachment to the organisation. Dirks and Ferrin's (2002) meta-analysis for example showed strong relations between trust in the leader and organisational commitment. In addition, Nyhan (2000) found that trust was positively related to affective commitment in a rather small municipal government with 235 employees. So, we predict that trust in the leader will promote affective organisational commitment in small and medium-sized companies as well.

Further, as social exchange theory (Blau, 1964) would suggest, we propose that employees will translate their growing amount of trust in the leader into return services of some kind. Working overtime, adjusting working schedules or delaying time off, in other words, temporal flexibility could be such a return service. Thus, our next two hypotheses:

*H5: In SMEs, trust in the leader is positively related to affective organisational commitment.*

*H6: In SMEs, trust in the leader is positively related to temporal flexibility.*

According to Blau (1964) increasing feelings of commitment will also stimulate employees to provide return services to their leader. In line with this contention, we propose that affective commitment will promote temporal flexibility. So, the next hypothesis reads:

*H7: In SMEs, affective organisational commitment is positively related to temporal flexibility.*

The preceding hypotheses cover the relations of leader dimensions with trust in the leader on the one hand, and the associations of trust in the leader with the employee outcomes on the other. Yet, from a methodological point of view which we will further explain in the following sections, we contend that examining these relationships as such is not enough to test the actual *mediating* role (Baron & Kenny, 1986) of trust in the relationships between leader behaviours and employee outcomes, and therefore add the following hypotheses:

*H8: In SMEs, trust in the leader mediates the relationships between the dimensions of transformational leadership (a) and transactional leadership (b), and affective organisational commitment.*

*H9: In SMEs, trust in the leader mediates the relationships between the dimensions of transformational leadership (a) and transactional leadership (b), and temporal flexibility.*

## Method

### Sample and Procedure

Our sample of 755 employees, who rated 121 direct supervisors, was taken from 50 small and medium-sized companies in the Netherlands. The participating companies were ranging from ICT-businesses to health and child care organisations, from high-tech enterprises to agricultural companies, pubs and restaurants. Of these 50 organisations the smallest employed 10 and the largest 240 people. The average age of employees was 35.6 (SD=11.3) years, average tenure was 7.2 (SD=8.1) years, 68% were males, and 45% had a college degree. The average age of supervisors was 38.8 (SD=10.2) years, they stayed with the company for 10.4 (SD = 9.5) years on average, 83% were males and 49% had a degree.

Questionnaires were filled out at work and at prearranged times. So, employees who were ill that day for example, or were on a holiday, did not participate. In total 755 employees, on average about six employees per supervisor (with a minimum of three and maximum of forty employees), rated their direct supervisor's leader behaviour, trust in the leader, and their own affective organisational commitment and temporal flexibility.

## Measures

Leader behaviour was measured by the MLQ, Form 5X (Bass & Avolio 2004). Employees were asked how frequently their supervisors demonstrated certain leader behaviours on a five-point scale, from 'not at all' to 'frequently, if not always'. Reliabilities are reported in Table 1.

Given the aforementioned discussion about the dimensionality of transformational leadership we tested a one-dimensional and a four dimensional model alongside our proposed two-dimensional model to see which model provided the best fit. Since the commonly used four dimensions (idealized influence, inspirational motivation, intellectual stimulation and individualized consideration) are generally expected to be mutually reinforcing and therefore can be grouped together as one construct (Antonakis et al., 2003; Bass & Riggio, 2006), we first conducted a Confirmatory Factor Analysis (CFA) to test a one-dimensional model. However, this resulted in a poor fit (CFI=.870, TLI=.850, RMSEA=.082, SRMR=.049). So, next we tried a model with four dimensions, but due to excessive overlap of the dimensions this model was not identified either. Continuing CFA, it was discovered that a two-dimensional model actually provided the best fit (CFI=.946, TLI=.932, RMSEA=.069, SRMR=.038). *Visionary leadership* was measured by four items usually tapping inspirational motivation and two items otherwise tapping idealized influence. The remaining two items belonging to idealized influence and referring to beliefs, values and ethics of leaders, were deleted. Not only for statistical reasons, but also because their content was least related to achieving future goals, a feature which the other six items all held in common. The second dimension of transformational leadership, *development stimulation*, was also measured with six items. Four items of intellectual stimulation and two items referring to individualized consideration were used to tap this newly formed dimension. Except for the two discarded items that were focused on treating every employee as an individual, all six items referred to teaching and coaching employees. The visionary leadership scale, contained items like: "My supervisor talks optimistically about the future", whilst the development stimulation scale included an item like: "My supervisor spends time teaching and coaching".

*Management by exception active* was measured with three items, for example: "My supervisor keeps track of all mistakes". For measuring *passive management by exception* two items were used. One of them read: "My supervisor waits for things to go wrong before taking action".

*Trust in the leader* was measured with four items from a scale by Podsakoff et al. (1990), whilst *affective organisational commitment* was measured by using four items of Allen and Meyer's (1990) scale. Employees were asked to what extent they agreed with statements concerning trust in the leader and their own commitment, using a five-point scale, from 'totally disagree' to 'totally agree'. An example of the trust-scale read: "I feel a



strong loyalty to my leader”, and commitment was measured with items like: “I really feel as if this organisation’s problems are my own”.

For measuring *temporal flexibility* we constructed a three-item scale. Employees were asked how frequently they engaged in flexible behaviours on a five-point scale, from ‘not at all’ to ‘frequently, if not always’. One item was for example: “How often are you working overtime?”.

Factor loadings of study variables are reported in Table 2. All of the items loaded onto their intended factors. To test our conceptual model, representing a structure of ‘causal’ relationships between multiple variables, we used structural equation modelling (SEM) with *Mplus*, version 6 (Muthén & Muthén, 2010). Since the data were nested we calculated the intraclass correlation coefficients (ICCs) of the independent variables in our model to see if multilevel analysis would be appropriate. However, since we found ICC values at the group level (.10 for temporal flexibility and .02 for affective organisational commitment) that were just at or far below the standard as set by Muthén (1997), who suggested a level of .10 or larger, SEM was conducted at the individual level. For testing mediation we conducted multiple regression analyses, following Baron and Kenny’s (1986) method.

**Table 1** Reliabilities, Means, Standard Deviations (SD), and Correlations of Study Variables

| Variables                           | $\alpha$ | Means (SD) | (1)    | (2)    | (3)    | (4)    | (5)   | (6)  |
|-------------------------------------|----------|------------|--------|--------|--------|--------|-------|------|
| (1) Visionary Leadership            | .85      | 3.5 (.71)  |        |        |        |        |       |      |
| (2) Development stimulation         | .82      | 3.4 (.69)  | .68**  |        |        |        |       |      |
| (3) Management by Exception Active  | .68      | 3.4 (.73)  | .35**  | .43**  |        |        |       |      |
| (4) Management by Exception Passive | .75      | 2.3 (.86)  | -.38** | -.42** | -.31** |        |       |      |
| (5) Trust in the Leader             | .81      | 4.0 (.75)  | .42**  | .48**  | .29**  | -.39** |       |      |
| (6) Affective Commitment            | .71      | 3.6 (.74)  | .27**  | .27**  | .23**  | -.14** | .34** |      |
| (7) Temporal Flexibility            | .69      | 3.0 (.81)  | .11**  | .09*   | .11**  | .06    | -.07  | .09* |

\* $p < .05$  (2-tailed); \*\*  $p < .01$  (2-tailed)

**Table 2** Standardized Factor Loadings (CFA) of Study Variables

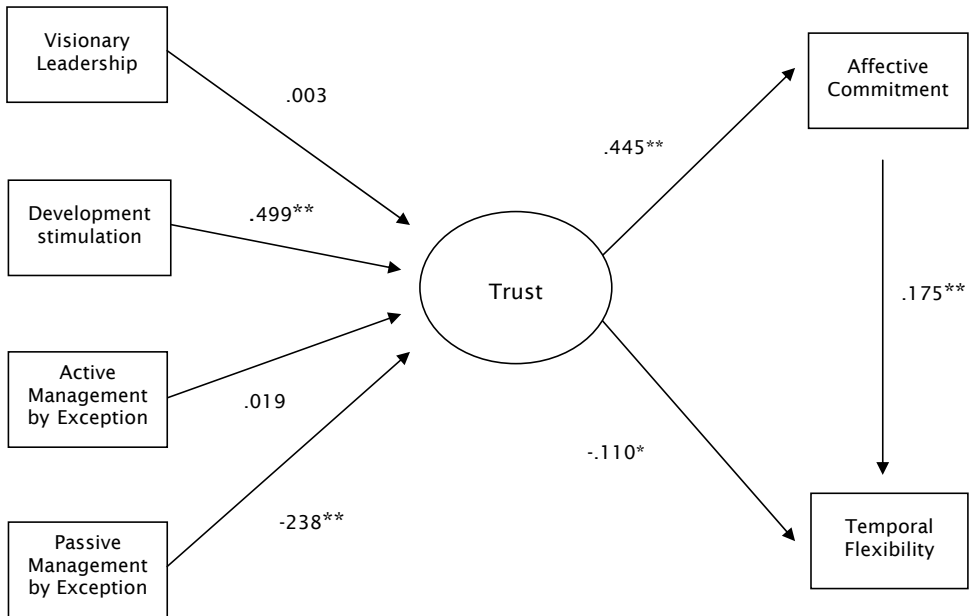
| Items                              | Visionary Leadership | Development Stimulation | MBE <sup>a</sup> Active | MBE <sup>a</sup> Passive | Trust | Commitment | Temporal Flexibility |
|------------------------------------|----------------------|-------------------------|-------------------------|--------------------------|-------|------------|----------------------|
| 1. Sense of Purpose                | .660                 |                         |                         |                          |       |            |                      |
| 2. Sense of Mission                | .648                 |                         |                         |                          |       |            |                      |
| 3. Talks Optimistically            | .624                 |                         |                         |                          |       |            |                      |
| 4. Talks Enthusiastically          | .689                 |                         |                         |                          |       |            |                      |
| 5. Compelling Vision               | .783                 |                         |                         |                          |       |            |                      |
| 6. Expresses Confidence            | .716                 |                         |                         |                          |       |            |                      |
| 7. Re-examines Assumptions         |                      | .531                    |                         |                          |       |            |                      |
| 8. Seeks Differing Perspectives    |                      | .644                    |                         |                          |       |            |                      |
| 9. Looks from Different Angles     |                      | .548                    |                         |                          |       |            |                      |
| 10. New Ways of Looking            |                      | .560                    |                         |                          |       |            |                      |
| 11. Teaching and Coaching          |                      | .701                    |                         |                          |       |            |                      |
| 12. Develop My Strengths           |                      | .694                    |                         |                          |       |            |                      |
| 13. Attention on Irregularities    |                      |                         | .565                    |                          |       |            |                      |
| 14. Concentrates on Mistakes       |                      |                         | .694                    |                          |       |            |                      |
| 15. Keeps Track                    |                      |                         | .633                    |                          |       |            |                      |
| 16. Waits before Taking Action     |                      |                         |                         | .796                     |       |            |                      |
| 17. Problems Must Become Chronic   |                      |                         |                         | .761                     |       |            |                      |
| 18. Leader Will Treat Me Fairly    |                      |                         |                         |                          | .796  |            |                      |
| 19. Never Deceiving Workers        |                      |                         |                         |                          | .624  |            |                      |
| 20. Complete Faith                 |                      |                         |                         |                          | .885  |            |                      |
| 21. Strong Loyalty                 |                      |                         |                         |                          | .632  |            |                      |
| 22. Spend the Rest of Career       |                      |                         |                         |                          |       | .574       |                      |
| 23. Discussing with People Outside |                      |                         |                         |                          |       | .667       |                      |
| 24. Organisation's Problems My Own |                      |                         |                         |                          |       | .552       |                      |
| 25. Personal Meaning               |                      |                         |                         |                          |       | .693       |                      |
| 26. Working Overtime               |                      |                         |                         |                          |       |            | .522                 |
| 27. Adjusting Working Schedule     |                      |                         |                         |                          |       |            | .971                 |
| 28. Rescheduling Time Off          |                      |                         |                         |                          |       |            | .519                 |

a. MBE= Management by Exception

# Results

Correlations, means and standard deviations of study variables are reported in Table 1. The different leader behaviours were all related to each other. As expected, passive management by exception was negatively related to the other leadership dimensions. Both trust in the leader as well as affective commitment were significantly related to all of the leader behaviours. Temporal flexibility was also significantly related to most of the leader behaviours, albeit to a lesser extent.

Figure 2 demonstrates that the conceptual model fitted quite well to the data. The Standardized Root Mean Square Residual (SRMR) and the Root Mean Square Error of Approximation (RMSEA) were at or below the .05 level, whilst the Confirmatory Fit Index (CFI) and Tucker-Lewis Fit Index (TLI) values were close to the .95 level (Byrne, 2012).



RMSEA=.042; CFI=.939; TLI=.930; SRMR=.050; \*  $p < .05$ , \*\*  $p < .01$ .

**Figure 2** Parameter Estimates

One of the transformational leadership dimensions, visionary leadership, was not significantly related to trust in the leader. Development stimulation, however, showed a strong positive association with trust. This seems to imply that people trust a leader who helps them with their development. Considering these results, hypothesis H2 was confirmed, H1 was not.

Contrary to our expectations, Figure 2 demonstrates that active management by exception did not affect employees' trust in the leader. As predicted, passive management by exception had a negative impact on trust in the leader. This indicates that the more the supervisors in our sample were perceived as behaving passively, the lesser their employees trusted them. Thus, H3 was not supported, but H4 was.

Affective organisational commitment was expected to be positively influenced by trust in the leader. As demonstrated in Figure 2 trust was indeed positively associated with affective commitment. Thus, leaders who gain people's trust seem to promote affective commitment to the organisation. H5 was therefore supported.

Temporal flexibility was not positively related to trust in the leader. As opposed to our predictions, the path from trust in the leader to temporal flexibility even demonstrated a significant negative association. As such, H6 was rejected. This would suggest that leaders who gain more trust, will solicit less temporal flexibility from their subordinates. Since it is rather hard to conceive that trustworthy leaders are reciprocated with less extra employee effort in terms of temporal flexibility, these results might implicate the reverse: leaders who demand for more temporal flexibility are perceived as less trustworthy.<sup>3</sup>

Further, we proposed a positive association between affective organisational commitment and temporal flexibility. Our data confirmed that employees with greater commitment do indeed engage more in temporally flexible behaviour. Therefore, H7 was supported.

Hypotheses 8 and 9 predicted that trust in the leader would mediate the relationship between both transformational and transactional leadership, and affective organisational commitment and temporal flexibility respectively. In testing these hypotheses, we followed Baron and Kenny's (1986) method for mediation testing, according to which three conditions need to be fulfilled for mediation to be established: 1) the independent variables must affect the mediator; 2) the independent variables need to affect the dependent variable; and 3) the mediator must affect the dependent variable.

In our situation, the first condition requires transformational and transactional leadership dimensions to be significantly related to trust in the leader. The second and third conditions mean that both leadership and trust in the leader need to be related to the employee outcomes (affective commitment and temporal flexibility). Moreover, the relative strength of the relationship between leadership and these outcomes should fall when trust in the leader is added to the model.

<sup>3</sup> For this reason we also conducted a model including a reversed path instead, leading from temporal flexibility to trust in the leader. This model showed fit indices (RMSEA=.042, SRMR=.046, CFI=.940, TLI=.932) that were equal to or slightly better than those for our initial model (Figure 2). Further, it indicated a significant negative relation between temporal flexibility and trust in the leader ( $\beta = -.149$ ,  $p = .000$ ). Thus, a model including a reversed path would also be statistically defensible.

With regard to the first condition it can be concluded that only two leader dimensions met this condition, i.e. development stimulation and management by exception passive (see Figure 2). Of these two, management by exception passive was not related to affective commitment, but development stimulation was (see Table 3). Table 3 also shows that the association between development stimulation and affective organisational commitment was no longer significant when trust in the leader was added to the model, implying that trust was fully mediating this relationship. A Sobel test showed that this mediation effect was significant ( $z=2.22$ ,  $p=.01$ ). Hypothesis 8a was therefore partially confirmed, H8b was not supported. Turning to the link between the two leader dimensions and temporal flexibility, Table 4 demonstrates that passive management by exception alone was significantly related to temporal flexibility. When trust was added to the model, the association between passive management by exception and temporal flexibility became weaker, but nevertheless remained significant. As such, trust in the leader partially mediated this relationship. This mediation effect was supported by the results of a Sobel test ( $z=3.13$ ,  $p=.001$ ). In sum, Hypothesis 9a was not supported, but H9b was partly confirmed.

**Table 3** Regression Analyses Predicting Affective Organisational Commitment from Development Stimulation and Management by Exception Passive

| Predictor <sup>a</sup>          | $\beta$ | $p$<br>(1-tailed) <sup>b</sup> |
|---------------------------------|---------|--------------------------------|
| <u>Model 1</u>                  |         |                                |
| Development Stimulation         | .120    | .009                           |
| Management by Exception Passive | .011    | .394                           |
| <u>Model 2</u>                  |         |                                |
| Development Stimulation         | .049    | .170                           |
| Management by Exception Passive | .062    | .059                           |
| Trust                           | .251    | .000                           |

a. Visionary leadership and management by exception active were controlled for; b.  $p$  values below .050 are significant.

**Table 4** Regression Analyses Predicting Temporal Flexibility from Development Stimulation and Management by Exception Passive

| Predictor <sup>a</sup>          | $\beta$ | <i>p</i><br>(1-tailed) <sup>b</sup> |
|---------------------------------|---------|-------------------------------------|
| <u>Model 1</u>                  |         |                                     |
| Development Stimulation         | .042    | .215                                |
| Management by Exception Passive | .152    | .000                                |
| <u>Model 2</u>                  |         |                                     |
| Development Stimulation         | .082    | .064                                |
| Management by Exception Passive | .123    | .002                                |
| Trust                           | -.143   | .001                                |

a. Visionary leadership and management by exception active were controlled for; b. *p* values below .050 are significant.

## Discussion

In this study we investigated a rather comprehensive model to analyse the impact of transformational and transactional leadership dimensions on affective organisational commitment and temporal flexibility in SMEs. We also examined whether trust in the leader mediated these relationships. With regard to hypothesis testing the following needs to be discussed.

Firstly, although they are both dimensions of transformational leadership and highly interrelated, development stimulation and visionary leadership seemed to have dissimilar effects on trust in the leader. In fact, visionary leadership showed no significant relationship with trust in the leader, whilst development stimulation demonstrated a rather strong influence on trust. However, it is not unlikely that the positive relation of visionary leadership with trust, as indicated by its correlation (Table 1), is overruled by a stronger influence of development stimulation. Considering these findings, we would encourage other scholars to pay attention to the dimensionality of transformational leadership and further investigate the impact of its separate dimensions within the SME context.

Secondly, observing the effects of transactional leadership on trust in the leader, it was remarkable that active management by exception did not demonstrate the expected positive impact. Possibly, development stimulation overrules the smaller positive effect that active management by exception by itself may have on people's perception of trust. Helping people to develop themselves, probably, has a more positive psychological effect than correcting them if they make a mistake. Though active management by exception, being timely provided feedback, may have a reassuring effect on employees, it still is a form of *negative* feedback, which may also have a detrimental effect on people's

feelings toward the leader (Kluger & DeNisi, 1996; Steelman, Levy & Snell, 2004). Passive management by exception showed its expected negative effect on trust in the leader. So, although active management by exception displayed no significant relationship with trust in the leader, our findings are still in line with Bass' Full Range of Leadership Theory, which states that passive management by exception will be less effective than active management by exception (Bass & Riggio, 2006).

Thirdly, it was found that trust in the leader mediated the link between development stimulation and affective organisational commitment. In line with social exchange theory (Blau, 1964), development stimulation wins employees' trust and, through that, promotes their voluntary emotional attachment to the company. With regard to passive management by exception a social exchange mechanism could not be established, as this leadership dimension was unrelated to affective commitment. As such, passive leader behaviour does not seem to affect people's attachment to the company as a whole, although it does harm employees' trust in their direct supervisors.

Finally, the results showed that trust in the leader mediated the link between passive management by exception and temporal flexibility, but not between development stimulation and temporal flexibility. Moreover, our data revealed ambiguous relations between trust in the leader and this outcome measure. On the one hand, trustworthy leaders seem to promote employees' affective organisational commitment, which may indirectly stimulate employees' flexible behaviour. On the other hand, following the direct path leading from trust to temporal flexibility, trustworthiness appears to solicit less employee flexibility. These rather contradictory findings could be explained from the way temporal flexibility is obtained. When voluntary, this may come from a growing attachment to the organisation. When involuntary, temporal flexibility of subordinates may be forced by their leaders, who are therefore perceived as untrustworthy. This contention seems to be in line with findings by Kerkhofs, Chung and Ester (2008), who demonstrated that a high level of working time flexibility, which was mainly in the interest of the company instead of the employees, was related to higher levels of low employee motivation. If our explanation is indeed valid, it inevitably raises the question of causality. Poor leaders, for example those who practice passive management by exception, may - by their mismanagement - more-or-less force employees to work overtime or change their working schedules in the interest of the company. In turn, these compulsory flexible behaviours may be detrimental to employees' perceptions of trust in the leader. Since the question of causality is not yet resolved, we encourage scholars to investigate this matter more deeply in future research.

## **Limitations**

This study has several limitations. The first limitation is that our study took place in the Netherlands. The results of this study may therefore be influenced by the Dutch national culture, which is characterised by a highly individualistic, highly feminine nature, and a rather low level of uncertainty avoidance (Den Hartog, House, Hanges & Ruiz-Quintanilla, 1999; Hofstede, 1991). In a individualistic and feminine culture development stimulation might for example be more effective than visionary leadership, since development stimulation is more aimed at the individual rather than the collective and at the same time more people-orientated than goal-orientated. On the other hand, a culture with a rather low level of uncertainty avoidance might be quite open to new challenges, which could be an advantage for the impact of visionary leadership. However, since the Netherlands' score on both individualism and feminism is more outspoken than the one on uncertainty avoidance (Hofstede, 1991), it is likely that development stimulation in this country will be more effective than visionary leadership. This may be different in other countries. We would therefore encourage researchers to also study transformational and transactional leadership within SMEs in other countries. A second limitation of this study is that our sample of 50 companies was not a perfect replica of the total population of small and medium-sized businesses. Some branches for example might be underrepresented, whilst others were overrepresented. Last but not least: since the nature of this research is cross-sectional, causal relationships cannot be concluded. Longitudinal studies could help elicit causal relationships.

## **Practical Implications**

Notwithstanding the limitations of this study, our results indicate that passive management by exception has a detrimental effect on employees' trust in the leader. For this reason such leader behaviour should be avoided. Development stimulation, however, has a positive influence on employees' trust in the leader, affective commitment and - through that - on employees' temporal flexibility. It can therefore be concluded that it is wise for SMEs to intensify development stimulation. By paying attention to employees' need for development, leaders will be able to gain more trust, thereby soliciting a growing emotional attachment to the organisation, which may in turn promote employees to work overtime and change their schedules in the company's interest.





# 5

Transformational Leadership and  
Affective Commitment in Small to  
Medium-Sized Enterprises: The  
Moderating Effects of Directive and  
Participative Leadership

# Abstract

In this study we investigated whether the generally positive impact of transformational leadership in large organisations can be extended to small businesses. Using a sample of 35 Dutch small and medium-sized enterprises, we examined the relation between two transformational leadership dimensions and affective organisational commitment. Special attention was paid to the possible moderator effects of participative and directive leadership.

Both dimensions of transformational leader behaviour, visionary leadership and development stimulation, were positively related to affective commitment, indicating that the generally favourable influence of transformational leadership does extend to small businesses. Directive leadership strengthened the relationships. Small and medium-sized companies are therefore advised to stimulate transformational leader behaviour in combination with directive leadership, if they wish to promote organisational commitment among their employees.

# Introduction

Small and medium-sized enterprises (SMEs) have fewer means to retain employees than their larger competitors, since large organisations can usually offer better payment and more promising career prospects (Cardon & Stevens, 2004; Delmotte, Lamberts, Sels & Van Hootegeem, 2002; Harney & Dundon, 2006; Koch & Van Straten, 1997; Nadin & Cassell, 2007). As such, it is important for SMEs to know how they can influence *affective organisational commitment*, defined as voluntary attachment to the organisation, in ways that are not too costly. Demonstrating effective leadership might solve their problem, at least to some extent.

From research in large organisations we know that organisational commitment is positively related to leader behaviour (see e.g. Bass & Riggio, 2006; Bycio, Hackett & Allen, 1995; Pillai, Schriesheim & Williams, 1999; Sanders, Geurts & Van Riemsdijk, 2010). In contrast, there is little research on this subject matter within SMEs. In their qualitative study Koch and Van Straten (1997) found that owner-managers of small Dutch companies tried to consciously improve the team spirit and family sense among their employees, hoping to retain good employees by doing so. Intuitively these managers seem to know that leader behaviour might influence employee commitment to the organisation. Scholars like Eddleston (2008) and Pearson and Marler (2010) also expected this relation to occur within small firms and therefore suggested to investigate models containing leadership and commitment.

*Transformational leadership* particularly, defined as leader behaviour which inspires and motivates people to perform beyond expectation (Bass, 1985), seems to have a strong affiliation with organisational commitment (Bass & Riggio, 2006; Bycio, Hackett & Allen, 1995; Kane & Tremble, 2000; Meyer, Stanley, Herscovitch & Topolnytsky, 2002). According to Bass and Riggio (2006: p. 32, 33) it might be the extraordinary commitment that transformational leaders provoke in their followers which underlies their excellent performance. However, the question can be raised whether this charismatic, inspirational and stimulating leader behaviour will render similar effects in small and medium-sized organisations as in large ones. So, the first contribution of this research is to extend the current literature by providing an empirical study of the relationship between transformational leadership and organisational commitment within a new context: small and medium-sized companies.

Apart from the main effect of transformational leadership on organisational commitment, this study also investigates possible interaction or moderator effects (Aiken & West, 1991) that might influence this relationship. We are particularly interested in the question whether the impact of transformational leadership is strengthened (or weakened) by *participative leadership*, defined as leader behaviour that aims to involve followers in

decision processes (Bass & Bass, 2008), and/or *directive leadership*, defined as initiating structure, which is leader behaviour that focuses on top-down goal setting and role-clarification (Bass & Bass, 2008; Judge, Piccolo & Ilies, 2004; Schriesheim & Kerr, 1974). Bass (1985) and later Bass and Riggio (2006) argued that transformational leadership could be combined with either directive or participative leadership - also referred to as directive and participative 'leader decision styles' (Bass, 1985), suggesting that both combinations could be equally effective. For example, a leader who consults employees when defining future goals may be as inspiring and thus as effective as a leader who is able to convince employees that the future goals (s)he decided upon are worth achieving (see Bass & Riggio, 2006). Although this contention may be intuitively appealing, at present it is still unknown whether this is actually the case. The second contribution of this article is therefore to investigate if and how participative and directive leadership moderate the relation between transformational leadership and organisational commitment.

Understanding whether the impact of transformational leadership on organisational commitment can be extended from large to small organisations, and whether this relationship is influenced by possible moderating effects of participative and directive leadership is not only important for research scholars, but also for practitioners. Thus, our third contribution is to provide leaders in SMEs with advice as to which leader behaviours are best to display, if they wish to solicit a higher level of organisational commitment from their employees.

The sample of this study consists of 588 employees, who rated 93 immediate supervisors within 35 Dutch small and medium-sized companies. Since the data were nested, we decided to conduct a multilevel analysis, which provides a more rigorous testing method than ordinary regression analysis (Bickel, 2007; Bliese, 2000).

In line with our basic conceptual model (see Chapter 1) this chapter focuses on the relation between transformational leadership and affective organisational commitment. However, as an addition to the basic model, the moderating effects of participative and directive leader decision styles are also examined here. It starts with a brief discussion of the literature concerning organisational commitment and leader behaviour, including the hypotheses we derived from it. Next, the methodological aspects and the results of this research are described. Finally, we present the limitations of this study, the conclusions, implications for future research, as well as the practical implications for small and medium-sized businesses.

## Organisational Commitment

Organisational commitment is a widely researched concept which has been approached and measured in various ways. Next to a behavioural approach, the concept of organisational commitment as an attitude has become most popular (Mathieu & Zajac, 1990; Meyer et al., 2002; Solinger, Van Olffen & Roe, 2008). Initially this attitude was mostly defined as: 'the relative strength of an individual's identification with and involvement in a particular organization' (Mowday, Steers & Porter, 1979). During the 1980's, however, three main concepts within the attitudinal approach were recognised: an affective, a calculative, and a normative orientation toward commitment. From these concepts Allen and Meyer (1990) derived their - now commonly used - three-component model, in which they renamed the calculative component and called it 'continuance' commitment. In this model *affective commitment* refers to voluntary emotional attachment to the organisation, *continuance commitment* to the decision to stay with the organisation because of the costs associated with leaving or the impossibility of finding a better job, and *normative commitment* to the feeling that one is morally obliged to stay with the organisation (Allen & Meyer, 1990; Meyer & Allen, 1991).

To be able to measure leader effectiveness in SMEs we chose organisational commitment as the outcome variable. The reasons for this are twofold. First, because in our view the outcome measure needed to be of practical interest for small and medium-sized companies. Since we know that small business owners consider organisational commitment to be one of the most important attitudes of employees (Koch & Van Straten, 1997), it could obviously meet this requirement. Second, because the relation between leadership and the outcome measure needed to be well established in the context of larger organisations. For, if one wishes to research whether the impact of leadership *extends* to the context of small and medium-sized enterprises, this presupposes a stable relation between leadership and the outcome variable in large organisations. Considering the vast amount of empirical evidence showing that leader behaviour is related to organisational commitment in large organisations, the second condition was also met (see for example Bass & Riggio, 2006; Bycio et al., 1995; Meyer et al., 2002; Pillai et al., 1999; Sanders, Geurts & Van Riemsdijk, 2010).

With regard to the three components of Allen and Meyer (1990), a similar approach was taken. If there was considerable doubt about either the theoretical concept or validity of a component, its association with leadership, or its practical value for SMEs, it was excluded from our investigation.

Continuance commitment was not used as an outcome variable in this study because, as mentioned before, most SMEs do not have the financial means to pay high salaries and cannot offer glamorous career prospects to bind employees. In addition, it is unlikely

that they can overcome this problem by demonstrating effective leadership. In their meta-analysis Meyer et al. (2002) found a negative relation between transformational leadership and continuance commitment. So, it will be difficult for the majority of small business owners to increase continuance commitment among their personnel. Besides, considerable concern has risen about this component's validity, since continuance commitment seems to tap two dimensions, lack of alternative jobs and costs associated with leaving, instead of one. Moreover, continuance commitment appears to reflect an attitude toward a specific course of action, i.e. staying with or leaving the organisation while considering the rewards and/or costs related to this action, rather than an attitude toward the organisation as such (Solinger et al., 2008).

Normative commitment has been found to be strongly related to affective commitment ( $\rho=.63$ , as reported by Meyer et al. (2002) in their meta-analysis including 54 studies and 18,508 respondents) and hardly separable empirically from this component. For this reason several scholars perceive the normative commitment component as redundant (Ko, Price & Mueller, 1997; Solinger et al., 2008). Further, normative commitment has weaker relations with leadership as well as employee performance and employee behaviour than its affective counterpart. Meyer et al. (2002), for instance, reported correlation coefficients for normative commitment with transformational leadership, performance and Organizational Citizenship Behavior ( $\rho=.27$ ,  $\rho=.06$ ,  $\rho=.24$ , respectively) that were substantially lower than those for affective commitment with exactly the same variables ( $\rho=.46$ ,  $\rho=.16$ ,  $\rho=.32$ ). For all of these reasons normative commitment was discarded in this study.

Given that the concept of affective commitment is strongly related to leadership, has considerable practical value for SMEs, and so far does not seem to have any problems concerning its construct validity, it was included in this investigation.

## Leader Behaviour

The theory on transformational leadership was first conceptualised by James MacGregor Burns (1978) and further elaborated by Bernard Bass (1985). Bass and Riggio (2006) eventually distinguished the following four dimensions of transformational leadership: idealized influence/charisma, inspirational motivation, intellectual stimulation and individualized consideration. *Idealized influence/charisma* reflects a leader who provides a sense of mission, wins the respect of followers and instils pride in them. *Inspirational motivation* is demonstrated by a leader who articulates a compelling vision, sets attractive goals and shows confidence that employees will achieve them. *Intellectual stimulation* implies that a leader stimulates employees to be innovative and creative by questioning assumptions and approaching old situations in new ways. A leader who approaches

employees as individuals, rather than as members of a group, and pays special attention to their needs for development by acting as a teacher/coach, demonstrates *individualized consideration*.

Previously, Den Hartog, Van Muijen and Koopman (1997) observed that this four-dimensional structure may not always be found. Within their study, for example, they could not distinguish the four dimensions of transformational leadership. Further, since charismatic leaders tend to inspire people through their vision, the distinction between idealized influence/charisma and inspirational motivation may also be rather problematic from a theoretical perspective. Distinguishing individualized consideration from intellectual stimulation may be equally difficult, because both refer to people's development. A leader engaging in intellectual stimulation will, for instance, suggest new ways of looking at how to do a job. Yet, leaders who demonstrate individualized consideration will show similar activities by spending time teaching and coaching.

For these reasons, transformational leadership will be represented in this study by two rather than four dimensions: visionary leadership and development stimulation. *Visionary leadership* reflects a leader who focuses on reaching future goals, articulating a compelling vision and providing a sense of mission. *Development stimulation*, on the other hand, refers to a leader who teaches individual followers, stimulates them to be innovative and creative, and helps them to develop their strengths.

Many scholars found substantial relationships between transformational leadership and affective commitment in larger organisations (Bycio et al., 1995; Kane & Tremble, 2000; Meyer et al., 2002; Penley & Gould, 1988). Its association with affective organisational commitment can be explained by social exchange theory (Blau, 1964). According to Blau social exchange should be distinguished from the economic exchange between people. In a situation of economic exchange it is clear from the start what both parties can expect from the relationship. If employees, for example, have done their work sufficiently, they will receive their agreed to salary. In a social exchange scenario, however, people provide certain services to each other without knowing if and how these will be returned. So, when leaders seek affective organisational commitment from their subordinates, they will have to engage in behaviours that go beyond the purely economic exchange. Articulating a compelling vision and providing a sense of mission (visionary leadership) could be such behaviours, as well as stimulating employees to be innovative and helping them to develop their strengths (development stimulation).

Yet, the question can be raised whether these transformational leader behaviours will be as effective in small and medium-sized organisations as in large ones. On the one hand, one could argue that SMEs are less complex organisations (Mintzberg, 1983) and therefore do not need highfaluting leadership. In these businesses it may be enough when leaders clarify what needs to be done, correct people if needed and pay their agreed to wages or



salaries. Moreover, most small businesses do not want to grow, to change or transform (Baron & Hannan, 2002; Delmotte et al. 2002, Koch & Van Straten, 1997) and thus have no need for transformational leadership. In line with this kind of thinking, effectiveness of transformational leadership will not extend from large to small businesses. On the other hand, one could argue that employees within SMEs, like other people, are susceptible to beneficial treatment from their leaders and the inevitable psychological impact this will have. In line with the norm of reciprocity and social exchange theory (Blau, 1964; Gouldner, 1960), employees will reciprocate beneficial leader behaviour by demonstrating higher levels of trust and commitment. The psychological impact that leaders may have on their subordinates may be even stronger in smaller than in larger organisations, since leaders and employees have to work more closely together within smaller businesses and usually stay there for a longer period of time (Koch & Van Straten, 1997). We contend that the latter line of reasoning is more convincing, because although transformational leadership may not be strictly necessary to keep small business going, it will still have its positive influence on people's emotions within these rather intense work settings. Our first hypothesis therefore is:

*H1: In SMEs, visionary leadership (a) and development stimulation (b) are positively related to affective organisational commitment.*

Is it likely that participative and directive leadership enhance the influence of transformational leadership on affective organisational commitment in SMEs? Before answering this question, it is necessary to first discuss whether the leader behaviours included in this study can be perceived as theoretically different concepts.

To begin with, directive and participative leadership can be regarded as two opposite ends of the same bar, since a directive leader will make decisions single-handedly, whilst a participative leader will do this in cooperation with his subordinates, by consulting them first (Bass & Bass, 2008). Thus, theoretically these leader behaviours can be clearly distinguished. Further, it can be said that both participative and directive leadership can be separated from transformational leadership to the extent that all leaders have to make decisions - be they transformational or not. Yet, this does not exclude the possibility that one of these leader decision styles could be stronger affiliated with transformational leadership than the other. With regard to the transformational *visionary leadership* dimension, focused on reaching future goals, articulating a compelling vision and providing a sense of mission, a participative as well as a directive approach could be equally applicable. Obviously, future goals, visions and missions can be formulated by one person, but also by a group of people. Bass and Riggio (2006) also proposed that *development stimulation* behaviour can be done one-on-one as well as collectively. One could nevertheless argue that participative leadership would be somewhat more

related to this transformational dimension than directive leadership, since participation and development stimulation both involve close contact with employees. Still, this does not prove that a directive leader could not have such close relationships with his or her subordinates. We therefore contend that all of the aforementioned leader behaviours are theoretically separable.

Reporting mostly main effects of participative and directive leader behaviour and not their interaction effect with transformational leadership, the literature gives several indirect clues that provide some rationale for the possible strengthening effects of both leader decision styles. Firstly, *participative leadership* could be effective in small businesses and therefore have a reinforcing effect. According to several scholars the overall performance in SMEs is enormously dependent on how well the team works together (Dietz, Van der Wiele, Van Iwaarden & Brosseau, 2006; Koch & Van Straten, 1997; Mazzarol, 2003). As such, participative leadership may be helpful in creating a greater emotional bond with the employees and thereby improve team performance. In their meta-analysis Mathieu and Zajac (1990) found a correlation of .39 between participative leadership and organisational commitment, indicating that this leader behaviour could have a substantial impact. Secondly, *directive leadership* could also have a reinforcing effect. Leaders who demonstrate this behaviour mainly focus on goal setting and role clarification (Judge, Piccolo & Ilies, 2004; Schriesheim & Kerr, 1974). This is why they may be particularly effective in SMEs, since most of these companies have very limited or no job descriptions at all. Employees need to be flexible and have to take up a whole variety of different tasks (Heneman, Tansky & Camp, 2000; Koch & Van Straten, 1997). So, a supervisor who clearly tells what needs to be done and how, can be most useful in such a situation. Consistent with this reasoning, Mathieu and Zajac (1990) showed a positive relationship between directive leadership (initiating structure) and organisational commitment.

Thus, although participative and directive leader decision styles can be perceived as opposites, both appear to have positive effects on employee commitment. This seems contradictory, but does not need to be if one considers the fact that both participative as well as directive leaders are decisive leaders, albeit in different ways. In that sense they differ from leaders who practice *laissez faire* behaviour, which is characterized by avoidance of decision making and generally demonstrates negative effects on leader outcomes (Bass & Riggio, 2006).

We therefore expect that both leader decision styles could strengthen the effectiveness of transformational leadership. For example, a transformational leader might be more inspirational when s/he creates a vision, which is supported by employees because their personal aspirations have been merged with the leader's vision. In this way transformational leadership is reinforced by participation. On the other hand, a transformational leader could also be more inspirational by explaining exactly how employees can practically work on

realizing the company vision (also see Bass & Riggio, 2006). By doing so transformational leader behaviour is reinforced in a directive way and will therefore render a higher level of affective organisational commitment. This leads to our second hypothesis:

*H2: In SMEs, participative leadership (a), and directive leadership (b) strengthen the relation between visionary leadership and development stimulation on the one hand, and affective organisational commitment on the other hand.*

**Table 1** Business Type of Participating Companies

| <b>Business Type</b>      | <b>Amount</b> |
|---------------------------|---------------|
| Production                | 9             |
| Construction              | 3             |
| Hotel & Catering Services | 4             |
| Consultancy               | 4             |
| ICT                       | 4             |
| Child Care & Education    | 4             |
| Health Care               | 1             |
| Retail                    | 2             |
| Transport                 | 1             |
| Agriculture               | 2             |
| Landscaping               | 1             |
| <b>Total</b>              | <b>35</b>     |

## Method

### Sample and Procedure

Our sample of 588 employees, who rated 93 direct supervisors, was drawn from 35 companies, the smallest employing 16 and the largest employing 240 persons. The participating companies were very diverse, ranging from agricultural businesses to child care organisations, from consultancy to construction companies (see Table 1).

All of the employees of each supervisor were asked to cooperate in the research. In case of two departments, each with one supervisor, this was not possible. So, we received a list with names of all employees who worked in these departments. Next, we gave every employee a number and subsequently selected half of the numbers at random. Questionnaires were filled out at work and at prearranged times. So, employees who were ill that day for example, or were on a holiday, did not participate. During the prearranged sessions at least one trained researcher was present to answer questions concerning the questionnaire. In total 588 employees, on average about six per supervisor (with a

minimum of three and a maximum of forty employees per supervisor), rated their direct supervisor's leader behaviours, as well as their own commitment to the organisation. Demographic features of the respondents are shown in Table 2.

**Table 2** Demographic Features of Respondents

| Respondents | N   | Gender |        | Average Age | Average Stay | Education |      |
|-------------|-----|--------|--------|-------------|--------------|-----------|------|
|             |     | Male   | Female |             |              | BA        | MA   |
| Employees   | 588 | 66,4%  | 33,6%  | 36 years    | 7,7 years    | 21,2%     | 4,6% |
| Supervisors | 93  | 82,8%  | 17,2%  | 39 years    | 10,9 years   | 48,4%     | 2,2% |

### Measurements

Affective organisational commitment was measured by using Allen and Meyer's (1990) eight-item scale (Cronbach's  $\alpha=.70$ , see Table 3). Employees were asked to what extent they agreed with statements concerning their own commitment, using a five-point scale, from 'totally disagree' to 'totally agree'. One of the items for example reads: "I really feel as if this organization's problems are my own".

**Table 3** Reliabilities, Means, Standard Deviations (SD), and Correlations of Study Variables

| Variables                    | $\alpha$ | Means (SD)  | (1)    | (2)    | (3)  | (4)   | (5)   | (6)   | (7)   |
|------------------------------|----------|-------------|--------|--------|------|-------|-------|-------|-------|
| (1) Age                      |          | 36.1 (11.0) |        |        |      |       |       |       |       |
| (2) Tenure                   |          | 7.7 (8.1)   | .53**  |        |      |       |       |       |       |
| (3) Company Size             |          | 71 (42)     | -.11** | .04    |      |       |       |       |       |
| (4) Visionary Leadership     | .86      | 3.5 (.71)   | -.04   | -.09*  | .07  |       |       |       |       |
| (5) Development stimulation  | .82      | 3.3 (.69)   | -.13** | -.13** | .00  | .68** |       |       |       |
| (6) Participative Leadership | .86      | 3.4 (.72)   | -.06   | -.08   | -.04 | .62** | .64** |       |       |
| (7) Directive Leadership     | .81      | 3.5 (.72)   | -.07   | -.17** | .10* | .64** | .62** | .51** |       |
| (8) Affective Commitment     | .70      | 3.5 (.64)   | .12**  | .08    | -.05 | .32** | .28** | .25** | .27** |

\* $p<.05$  (2-tailed); \*\*  $p<.01$  (2-tailed)

For the measurement of transformational leadership we used the MLQ, Form 5X (Bass & Avolio, 2004). Participative and directive leadership were measured by a five-item scale from Ogbonna and Harris (2000), and a five-item scale from Schriesheim and Kerr (1974) respectively. Employees rated how frequently their immediate supervisors demonstrated certain leader behaviour on a five-point scale from 'not at all' to 'frequently, if not always'.

Considering the earlier critique on the factor structure of the MLQ (Den Hartog et al., 1997), we conducted a Confirmatory Factor Analysis (CFA) of the transformational leader behaviour sixteen-item scale, using *Mplus* (Muthén & Muthén, 2010). Initially we tested a one-dimensional scale, since the sixteen items can be measured as one construct

(Anatonakis, Avolio & Sivasubramaniam, 2003; Bass & Riggio, 2006). However, this resulted in a poor fit (RMSEA=.083; CFI=.871; TLI=.851; SRMR=.050) So, next we tried a model distinguishing four dimensions of transformational leadership (each tapped by four items): idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Bass & Avolio, 2004; Bass & Riggio, 2006). This model was not identified, due to excessive overlapping among intellectual stimulation and individualized consideration, as well as idealized influence and inspirational motivation. Continuing CFA in an exploratory fashion, it was found that a two-dimensional model actually provided the best fit (RMSEA=.066; CFI=.953; TLI=.940; SRMR=.036). The first dimension, *visionary leadership*, was measured by four items usually tapping inspirational motivation and two items otherwise tapping idealized influence. The other two items, belonging to idealized influence and referring to beliefs, values and ethics of leaders, were discarded. Not only for statistical reasons, but also because their content was least related to achieving future goals, a feature which the other six items shared. A sample item of the visionary leadership scale (Cronbach's  $\alpha$ =.86) was: "Talks optimistically about the future". The second dimension of transformational leadership, *development stimulation*, was also measured with six items. Four items of intellectual stimulation and two items referring to individualized consideration were used to tap this newly formed dimension. All six items referred to teaching and coaching employees, whereas the two discarded items focused on treating employees as individuals. An example item of the development stimulation scale (Cronbach's  $\alpha$ =.82) read: "Spends time teaching and coaching".

Since it was important that all of the leadership scales in this study could be distinguished as separate constructs, we also conducted a CFA including the participative and directive leadership scales alongside the transformational scales. This resulted in a reasonably good fit (RMSEA=.058; CFI=.934; TLI=.923; SRMR=.042), with CFI and TLI a bit below .95, but still above the .90 norm, RMSEA slightly above and SRMR well below the .05 norm. All items loaded onto their intended factors (see Table 4). Items of participative leadership (Cronbach's  $\alpha$ =.86) and directive leadership (Cronbach's  $\alpha$ =.81) were for example: "Before taking action (s)he consults with subordinates" (participative), and "(S)he schedules the work to be done" (directive).

Multilevel analysis was used to investigate the strength of the association between leadership and affective organisational commitment. For testing moderator effects we followed Aiken and West's (1991) suggestions concerning models based on standardized values.

**Table 4** Standardized Factor Loadings (CFA) of Leadership Scales

| Items                                | Visionary Leadership | Development Stimulation | Participative Leadership | Directive Leadership |
|--------------------------------------|----------------------|-------------------------|--------------------------|----------------------|
| 1. Sense of Purpose                  | .641                 |                         |                          |                      |
| 2. Sense of Mission                  | .691                 |                         |                          |                      |
| 3. Talks Optimistically              | .598                 |                         |                          |                      |
| 4. Talks Enthusiastically            | .693                 |                         |                          |                      |
| 5. Compelling Vision                 | .773                 |                         |                          |                      |
| 6. Expresses Confidence              | .738                 |                         |                          |                      |
| 7. Re-examines Assumptions           |                      | .503                    |                          |                      |
| 8. Seeks Differing Perspectives      |                      | .574                    |                          |                      |
| 9. Looks from Different Angles       |                      | .618                    |                          |                      |
| 10. New Ways of Looking              |                      | .647                    |                          |                      |
| 11. Teaching and Coaching            |                      | .691                    |                          |                      |
| 12. Develop My Strengths             |                      | .802                    |                          |                      |
| 13. Considers Subordinates           |                      |                         | .742                     |                      |
| 14. Consults before Taking Action    |                      |                         | .721                     |                      |
| 15. Consults When Faced with Problem |                      |                         | .630                     |                      |
| 16. Asks for Suggestions             |                      |                         | .788                     |                      |
| 17. Advice on Assignments            |                      |                         | .747                     |                      |
| 18. Makes Attitudes Clear            |                      |                         |                          | .666                 |
| 19. Schedules the Work               |                      |                         |                          | .581                 |
| 20. Maintains Standards              |                      |                         |                          | .738                 |
| 21. Encourages Uniform Procedures    |                      |                         |                          | .653                 |
| 22. Lets Know What Is Expected       |                      |                         |                          | .754                 |

RMSEA=.058; CFI=.934; TLI=.923; SRMR=.042

## Results

As presented in Table 3, in which reliabilities, means and standard deviations are also included, leadership dimensions were all strongly correlated with each other, but - in line with the confirmatory factor analysis as reported before - can still be perceived as separate constructs.

Gender, age, tenure and company size were controlled for. Males, for example, might be differently predisposed to organisational commitment than females, and people who are older and have a longer track record might show a higher level of affective organisational commitment (Meyer et al., 2002). Company size may also influence people's commitment, since bonding in smaller organisations may be stronger than in larger ones (Koch & Van Straten, 1997). Table 3 demonstrates that affective organisational commitment was significantly associated with employees' age. Tenure, although quite strongly correlated with age, was not related to affective commitment, but it was related to most of the leader behaviours, albeit negatively. This indicates that supervisors demonstrated leader

behaviours less frequently in the eyes of the employees who stayed longer with their companies as compared to those who worked there for a shorter period of time. Table 3 reports no significant associations of company size with any of the other variables except for directive leadership. Apparently, supervisors within bigger companies make more use of a directive leader decision style.

The results of the multilevel hierarchical regression analyses are presented in Tables 5 and 6, and are discussed following the order in which the four steps were accumulated. Step 1 shows the influence of the control variables, Step 2 the main effects of the leader dimensions (Hypothesis 1), whereas Step 3 and 4 display the two-way and three-way interaction terms (Hypothesis 2).

Gender, age and tenure of employees as well as company size were controlled for (Step 1, Tables 5 and 6). Age alone was significantly related to affective commitment, which is implying that older employees tend to be more emotionally attached to their company than their younger colleagues. We did not find a similar association between tenure and affective organisational commitment. If age is controlled for, affective organisational commitment does not seem to increase, when people stay for a longer period of time with their company.

With regard to the main effects of leader behaviours (Step 2, Tables 5 and 6), it can be said that participative leadership, in four out of six models, was significantly related to affective commitment when directive and visionary leadership were controlled for (Table 5), and also when directive leadership and development stimulation were controlled for (Table 6). Alongside directive leadership, both visionary leadership and development stimulation were positively associated with affective commitment. Our first hypothesis, stating that visionary leadership (a) and development stimulation (b) would be positively related to affective organisational commitment, was therefore confirmed.

For testing the predicted moderator effects we followed Aiken and West's (1991) method. Using Baron and Kenny's (1986) definition, a moderator is a variable that affects the direction and/or strength of the relation between an independent variable (e.g. visionary leadership) and a dependent variable (e.g. affective organisational commitment). The possible moderator (e.g. directive leadership) is indeed showing a moderating effect, if the product of this moderator and the independent variable is significantly related to the dependent variable. So, if the product of directive leadership and visionary leadership is significantly related to commitment, then directive leadership acts as a moderator.

Although the leader behaviours examined in this study could be perceived as separate constructs, they were not unrelated. For this reason we also included a two-way term measuring the interaction between participative and directive leadership, as well as two three-way terms measuring the interaction between directive, participative and visionary leadership/development stimulation. Two-way interaction terms (Step 3) were first inserted

one-by-one in Models 3, 4, 5 and 10, 11, 12, then inserted all together in Models 6 and 13, followed by the insertion of the three-way interaction terms (Step 4) in Models 7 and 14.

Tables 5 and 6 show that the three-way interaction terms were not significant. This means that the product of participative, directive and either of the transformational leader dimensions did not weaken or strengthen the association of the transformational leader dimensions with affective organisational commitment. Further, apart from the interaction term measuring the combined influence of participative and directive leadership in Model 5 (Table 5), no interaction term that included participative leadership was significantly related to affective organisational commitment. Since the interaction effects of *visionary leadership*  $\times$  *participative leadership* and *development stimulation*  $\times$  *participative leadership* were not significant, we consider Hypothesis 2a as not supported. As opposed to participative leadership, directive leadership did demonstrate moderating effects on the relations between transformational leadership dimensions and affective commitment. Its interaction term with visionary leadership was not significant when the other two-way interaction terms were controlled for (Model 6, Table 5). However, if those not-significant terms were to be discarded, the moderating effect of *visionary leadership*  $\times$  *directive leadership* would be significantly positive, and therefore strengthen the main effect of visionary leadership (Model 3, Table 5). Since there is no strong theoretical foundation that these not-significant interaction terms should nevertheless be expected, we follow Aiken and West's (1991: p.105) recommendation by excluding them from the equation and only consider the significant interaction term. Further, we found that the product of *development stimulation*  $\times$  *directive leadership* was significant, even when the other two-way interaction terms were controlled for (Model 13, Table 6). In sum, Hypothesis 2b, predicting a moderating effect of directive leadership (also see Figures 1 and 2), was confirmed.

Models 3 and 13, which included significant moderating effects of directive leadership, explained 15.9 and 15.1 percent respectively in the variance of affective organisational commitment at the individual level. These models also explained some of the variance in average commitment between groups of employees belonging to one supervisor: 8.0 and 5.1 percent respectively.



**Table 5** Multilevel Analyses: Effects of Visionary, Directive and Participative Leadership on Affective Commitment (N1=588, N2=93)

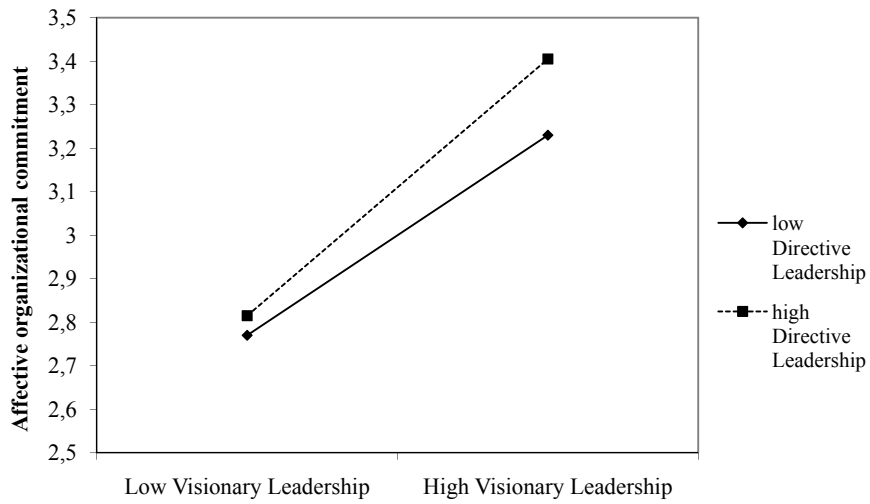
|                                    | <b>Model 1</b>              | <b>Model 2</b>              | <b>Model 3</b>              | <b>Model 4</b>              | <b>Model 5</b>              | <b>Model 6</b>              | <b>Model 7</b>              |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Fixed Effects <sup>a</sup>         | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> |
| <b>Step 1:</b>                     |                             |                             |                             |                             |                             |                             |                             |
| Gender                             | -.053 (.320)                | .035 (.371)                 | .058 (.294)                 | .047 (.332)                 | .051 (.318)                 | .059 (.294)                 | .060 (.289)                 |
| Age                                | .102 (.022)                 | .118 (.006)                 | .109 (.011)                 | .116 (.007)                 | .114 (.008)                 | .109 (.011)                 | .108 (.011)                 |
| Tenure                             | .042 (.209)                 | .060 (.109)                 | .056 (.126)                 | .057 (.124)                 | .055 (.130)                 | .056 (.127)                 | .055 (.130)                 |
| Company Size                       | -.068 (.117)                | -.079 (.074)                | -.082 (.065)                | -.080 (.070)                | -.077 (.078)                | -.082 (.064)                | -.083 (.065)                |
| R <sup>2</sup> (level 1)           | .012                        |                             |                             |                             |                             |                             |                             |
| R <sup>2</sup> (level 2 intercept) | .029                        |                             |                             |                             |                             |                             |                             |
| <b>Step 2:</b>                     |                             |                             |                             |                             |                             |                             |                             |
| VIS                                |                             | .239 (.000)                 | .260 (.000)                 | .265 (.000)                 | .244 (.000)                 | .260 (.000)                 | .258 (.000)                 |
| DIR                                |                             | .113 (.013)                 | .129 (.006)                 | .109 (.016)                 | .134 (.005)                 | .129 (.009)                 | .123 (.014)                 |
| PART                               |                             | .079 (.059)                 | .085 (.044)                 | .092 (.035)                 | .090 (.037)                 | .086 (.045)                 | .080 (.061)                 |
| R <sup>2</sup> (level 1)           |                             | .150                        |                             |                             |                             |                             |                             |
| R <sup>2</sup> (level 2 intercept) |                             | .091                        |                             |                             |                             |                             |                             |
| <b>Step 3:</b>                     |                             |                             |                             |                             |                             |                             |                             |
| VIS*DIR                            |                             |                             | .065 (.010)                 | .046 (.057)                 |                             | .062 (.076)                 | .070 (.065)                 |
| VIS*PART                           |                             |                             |                             |                             |                             | .002 (.481)                 | .005 (.455)                 |
| DIR*PART                           |                             |                             |                             |                             | .047 (.040)                 | .001 (.487)                 | .008 (.429)                 |
| R <sup>2</sup> (level 1)           |                             |                             | .159                        | .155                        | .155                        | .159                        |                             |
| R <sup>2</sup> (level 2 intercept) |                             |                             | .080                        | .074                        | .086                        | .080                        |                             |
| <b>Step 4:</b>                     |                             |                             |                             |                             |                             |                             |                             |
| VIS*DIR*PART                       |                             |                             |                             |                             |                             |                             | .010 (.311)                 |
| R <sup>2</sup> (level 1)           |                             |                             |                             |                             |                             |                             | .160                        |
| R <sup>2</sup> (level 2 intercept) |                             |                             |                             |                             |                             |                             | .080                        |
| -2 Log Likelihood <sup>c</sup>     | 1610                        | 1517                        | 1511                        | 1514                        | 1514                        | 1511                        | 1511                        |

a. VIS=Visionary Leadership, DIR= Directive Leadership, PART=Participative Leadership; b. Significance (1-tailed), values below .050 are significant (95% confidence interval); c. Null model: -2LL = 1653.

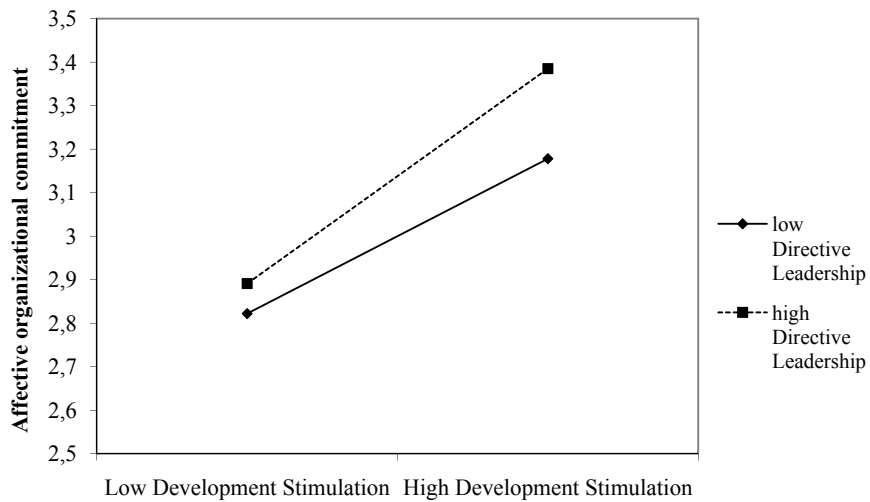
**Table 6** Multilevel Analyses: Effects of Development Stimulation, Directive and Participative Leadership on Affective Commitment (N1=588, N2=93)

|                                    | Model 8                     | Model 9                     | Model 10                    | Model 11                    | Model 12                    | Model 13                    | Model 14                    |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Fixed Effects <sup>a</sup>         | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> | $\beta$ (Sig.) <sup>b</sup> |
| <b>Step 1:</b>                     |                             |                             |                             |                             |                             |                             |                             |
| Gender                             | -.053 (.320)                | .009 (.469)                 | .023 (.417)                 | .017 (.437)                 | .021 (.423)                 | .021 (.425)                 | .022 (.421)                 |
| Age                                | .102 (.022)                 | .135 (.003)                 | .128 (.004)                 | .132 (.003)                 | .131 (.003)                 | .127 (.004)                 | .128 (.004)                 |
| Tenure                             | .042 (.209)                 | .059 (.115)                 | .052 (.144)                 | .056 (.126)                 | .055 (.133)                 | .052 (.143)                 | .052 (.147)                 |
| Company Size                       | -.068 (.117)                | -.068 (.109)                | -.071 (.097)                | -.068 (.107)                | -.067 (.113)                | -.072 (.094)                | -.072 (.095)                |
| R <sup>2</sup> (level 1)           | .012                        |                             |                             |                             |                             |                             |                             |
| R <sup>2</sup> (level 2 intercept) | .029                        |                             |                             |                             |                             |                             |                             |
| <b>Step 2:</b>                     |                             |                             |                             |                             |                             |                             |                             |
| DS                                 |                             | .178 (.002)                 | .190 (.001)                 | .187 (.001)                 | .177 (.001)                 | .190 (.001)                 | .187 (.001)                 |
| DIR                                |                             | .138 (.004)                 | .158 (.001)                 | .139 (.003)                 | .158 (.002)                 | .158 (.002)                 | .152 (.004)                 |
| PART                               |                             | .095 (.031)                 | .103 (.022)                 | .108 (.019)                 | .107 (.019)                 | .098 (.030)                 | .093 (.043)                 |
| R <sup>2</sup> (level 1)           |                             | .140                        |                             |                             |                             |                             |                             |
| R <sup>2</sup> (level 2 intercept) |                             | .063                        |                             |                             |                             |                             |                             |
| <b>Step 3:</b>                     |                             |                             |                             |                             |                             |                             |                             |
| DS*DIR                             |                             |                             | .069 (.010)                 |                             |                             | .084 (.033)                 | .086 (.030)                 |
| DS*PART                            |                             |                             |                             | .039 (.102)                 |                             | -.015 (.380)                | -.013 (.391)                |
| DIR*PART                           |                             |                             |                             |                             | .040 (.068)                 | .007 (.437)                 | -.001 (.491)                |
| R <sup>2</sup> (level 1)           |                             |                             | .151                        | .144                        | .145                        | .151                        |                             |
| R <sup>2</sup> (level 2 intercept) |                             |                             | .051                        | .051                        | .057                        | .051                        |                             |
| <b>Step 4:</b>                     |                             |                             |                             |                             |                             |                             |                             |
| DS*DIR*PART                        |                             |                             |                             |                             |                             |                             | .008 (.356)                 |
| R <sup>2</sup> (level 1)           |                             |                             |                             |                             |                             |                             | .151                        |
| R <sup>2</sup> (level 2 intercept) |                             |                             |                             |                             |                             |                             | .051                        |
| -2 Log Likelihood <sup>c</sup>     | 1610                        | 1524                        | 1519                        | 1522                        | 1522                        | 1518                        | 1518                        |

a. DS= Development Stimulation, DIR= Directive Leadership, PART=Participative Leadership; b. Significance (1-tailed), values below .050 are significant (95% confidence interval); c. Null model: -2LL = 1653.



**Figure 1** Interaction Effect of Directive Leadership and Visionary Leadership on Affective Organisational Commitment



**Figure 2** Interaction Effect of Directive Leadership and Development Stimulation on Affective Organisational Commitment

# Discussion

## Limitations

This study has several limitations. Firstly, our study took place in the Netherlands. The results of this study may therefore be influenced by the Dutch national culture, which is characterised by a highly individualistic and highly feminine nature, a low power distance, and a rather low level of uncertainty avoidance (Hofstede, 1991). As proposed by one of the GLOBE studies, transformational leadership is expected to be less effective in individualistic cultures, but at the same time more effective in countries characterised by a low level of uncertainty avoidance (Den Hartog, House, Hanges & Ruiz-Quintanilla, 1999). These two predictions seem to more-or-less cancel each other out. So in the Netherlands, as compared to other countries, the effect of transformational leadership will probably be around average. The influence of the Dutch culture on participative and directive leadership might, nevertheless, be more outspoken. According to several scholars, a culture that is highly feminine and displays a low level of power distance will generally be favourable to participative rather than directive leadership (Den Hartog et al., 1999; Hofstede, 1991), because sharing between people is an important value within such a cultural environment. Yet, remarkably, the results in our sample of 35 small and medium-sized enterprises did not indicate this tendency. Both main and moderating effects of participative leadership were weaker than those of directive leadership. This may be somewhat surprising, since it is generally assumed that a participative leader decision style works best when the subordinates' commitment is important (Bass & Bass, 2008). The fact that we investigated smaller instead of larger organisations might explain this to some extent. It is possible, for example, that supervisors in SMEs are more directive and more influential, because many of them copy the rather dominant role as exemplified by the owner-managers of these companies (Koch & Van Straten, 1997). Another explanation may be that a substantial amount of employees in our sample consider participative leadership to be a sign of weakness, indicating that the supervisor does not know what s/he wants and therefore has difficulties when decisions need to be made. However, we are not sure, further research is certainly needed to discover why directive leadership might have a greater impact in SMEs than participative leadership. An even better understanding might be obtained, if this research would be conducted in many different countries.

Secondly, the leadership dimensions within this study were not unrelated, as would ideally be the case when investigating interaction effects of independent variables. It was nevertheless shown that all leadership dimensions could be perceived as separate constructs. Despite this limitation, this study made some contribution to the existing literature by demonstrating several moderating effects - of directive leadership in particular - on the relation between transformational leadership and affective organisational commitment.

Finally, because this research was cross-sectional, nothing definite can be concluded concerning causal relationships. A better insight into causal relations could be obtained by conducting longitudinal studies.

## **Conclusions and Implications**

This research produced several interesting findings. First of all, apart from hypothesis testing, we found that organisational tenure did not relate to affective commitment in this sample. This is remarkable, since tenure is generally positively related to organisational commitment (Mathieu & Zajac, 1990; Meyer et al., 2002). One explanation might be that some of the employees with a longer stay may have had some negative experiences during their time with the company. For this reason the usually positive association between tenure and commitment may have disappeared. Another explanation could be that owner-managers in SMEs put a great deal of value on the so-called person-organisation fit instead of formal job requirements when new people are hired (Cardon & Stevens, 2004; Heneman, Tansky & Camp, 2000; Koch & Van Straten, 1997; Nadin & Cassell, 2007; Wyatt, Pathak & Zibarras, 2010). As such, it is not unlikely that the majority of the employees within smaller businesses have to demonstrate a rather high level of commitment, right from the start, leaving them with limited room for improvement in the years to come.

Further, in line with our predictions, both dimensions of transformational leadership were positively related to affective organisational commitment. Apparently, transformational leadership is not only working in larger organisations, but is also suited for small and medium-sized companies. Thus, the question whether the effectiveness of transformational leadership can be extended to SMEs is answered affirmatively by our investigation, which is in line with Bass' claim that transformational leadership should work in practically any organisation, either big or small (Bass, 1997). With regard to this finding it was interesting to discover that company size was not related to organisational commitment in this sample. The negative sign of this association would suggest that employees within smaller companies are relatively more committed, yet, the relation was not statistically significant. Since we did not compare SMEs with large organisations, it is still possible that there is a difference in the average level of affective organisational commitment between these business categories. Future research may shed some more light on this aspect.

What practical advice can be given to the owner-managers of small and medium-sized firms, if they wish to attain a higher level of organisational commitment among their employees? The results of this study showed that transformational leader behaviours can best be combined with a directive leader decision style, since directive leadership had significant moderating effects. This is implicating that the impact of visionary and development stimulation dimensions of transformational leader behaviour on employees'

emotional attachment to the organisation is strengthened, when these leader behaviours are combined with directive leadership. Thus, a leader who sets future goals personally rather than collectively will be more effective in SMEs, as will a leader who coaches employees by instructing them rather than by negotiating with them. In sum, the message may simply be: stimulate transformational leader behaviours in supervisors and make sure they provide clear-cut instructions. Employees will be grateful.



# 6

Discussion





## 6.1 Introduction

As research on leader behaviour in the context of SMEs has been rather minimal (Eddleston, 2008, Ling, Simsek, Lubatkin & Veiga, 2008), this dissertation intended to fill in some of the existing gaps in the literature. Firstly, by investigating whether the impact of transformational and transactional leadership extends from large to small and medium-sized companies. This generic aim enabled us to - partly - test Bass' (1997) claim that the transformational-transactional paradigm should hold in practically any organisational context. Secondly, by studying potential mediating and moderating effects to obtain a better understanding of the mechanisms by which transformational and transactional leader behaviours influence employee outcomes, and also to broaden our knowledge about the factors that may strengthen or weaken the impact of these leader behaviours within small and medium-sized enterprises (SMEs). Currently, research on leader behaviour within SMEs does not provide us with many answers where these issues are concerned. This dissertation therefore attempted to make several specific contributions to the existing literature by examining:

- Whether trust in the leader mediates the relation between transformational and transactional leadership on the one hand, and Organizational Citizenship Behavior, affective organisational commitment and labour flexibility on the other;
- Whether affective organisational commitment mediates the relation of transformational and transactional leadership with both temporal and functional flexibility;
- Whether participative and directive leadership moderate the association between transformational leadership and employees' affective organisational commitment.

Conclusions regarding our first generic aim, as well as these specific aims will be discussed in the next paragraph. This will be followed by sections consecutively addressing the limitations of this dissertation and the implications for further research. Our second generic aim, to provide leaders in SMEs with some practical advice as to which leader behaviours can best be applied if they wish to improve employee outcomes, will be discussed in the section that describes the practical implications of this research.

## 6.2 Conclusions

This section presents the conclusions as related to the first generic and three specific aims of this study, in each case preceded by a summary of the most salient results. It starts, however, by paying attention to the Multifactor Leadership Questionnaire.

### **6.2.1 Multifactor Leadership Questionnaire**

Before answering the question whether the impact of transformational and transactional leadership actually extends from large organisations to SMEs, it seems imperative to first discuss the factor structure of the Multifactor Leadership Questionnaire (MLQ). Although it was not a particular aim of this dissertation to closely examine the MLQ's (Bass & Avolio, 2004) validity as such, our experience with this commonly used instrument nevertheless pointed out that there were some problems in using its scales.

First of all, contrary to the contention held by other scholars (Antonakis, Avolio & Sivasubramaniam, 2003; Bass & Riggio, 2006) that the dimensions of transformational leadership can be grouped together and measured as one construct, a one-dimensional model of transformational leadership was not identified. Secondly, like Den Hartog, Van Muijen and Koopman (1997), we could not find the four dimensions as proposed by Bass and Avolio (2004). In fact, a two-dimensional structure, incorporating visionary leadership and development stimulation, offered a better and also satisfactory solution. By combining items of idealized influence and inspirational motivation on the one hand, and items of intellectual stimulation and individualized consideration on the other, it was possible to discern two newly formed dimensions. Of these, visionary leadership reflects a leader's behaviour aimed at attaining future goals of the organisation as a whole, whereas development stimulation refers to a leader who tries to improve people's individual skills through teaching and coaching. As such, these different dimensions of transformational leadership may sometimes have dissimilar consequences. In Chapter 4, for example, it was shown that development stimulation had a far stronger impact on employees' trust in the leader than visionary leadership. Thirdly, as opposed to what the Full Range of Leadership Theory (Bass & Riggio, 2006) would suggest, contingent reward could not be separated from transformational leadership dimensions, due to excessive overlap with the intellectual stimulation and individualized consideration dimensions, as well as the newly formed dimension of development stimulation. The employees in our sample of small and medium-sized businesses, apparently, perceive leader rewarding behaviours more as transformational rather than as transactional. Thus, the question can be raised if it is really possible to make a clear distinction between transformational and transactional leadership, and if so, whether contingent reward should still be considered as a dimension of transactional leadership. We contend that contingent reward behaviour to some extent will be part of an economic exchange between leaders and employees, but - above that - will simultaneously influence employees' emotions and thereby stimulate them to perform 'beyond expectation'. Also considering the findings by other scholars (Antonakis et al., 2003) that contingent reward can be transformational in large organisations, as well as our findings in SMEs that the relation between contingent reward and OCB or extra-role behaviour was as strong as that of transformational leadership, we tentatively propose

that contingent reward should be considered as a dimension of transformational rather than transactional leadership.

### **6.2.2 Impact of Transformational and Transactional Leadership in SMEs**

The first generic aim of this study was to investigate whether the impact of transformational and transactional leadership extends from large to small and medium-sized businesses. What evidence have we found that this is actually the case?

Chapter 2 indicated that transformational leadership as well as the transactional leadership dimensions were related to *trust in the leader*. The sign and strength of these associations actually resembled the pattern as suggested by Bass and Riggio (2006), as transformational leadership typically showed the strongest positive relation with trust, followed by contingent reward and active management by exception, whereas passive management by exception demonstrated a negative association with trust in the leader.

With regard to *affective organisational commitment* the leader behaviour dimensions displayed a similar pattern of relationships (see Chapters 4 and 5), with the exception of contingent reward. In our sample of SMEs, the link between this particular transactional leadership dimension and affective commitment was practically as strong as those between the transformational leadership dimensions, visionary leadership and development stimulation, and affective organisational commitment. As said before, this finding is not uncommon in large organisations either. According to Antonakis et al. (2003) contingent reward generally can be transformational if the reward is psychological in nature. For example, when employees are praised for their accomplishments.

Further, although not all of the associations of transformational and transactional leadership dimensions with measures of *Organizational Citizenship Behavior* were significant (see Chapter 2), they more-or-less displayed a pattern that was in line with the Full Range of Leadership theory (Bass & Riggio, 2006). The exception here was active management by exception, which was negatively associated with some of the OCB measures, even more so than passive management by exception. The reason for this may be that active management by exception can be perceived as providing negative feedback on a regular basis which may be even more detrimental to employees' OCB than providing negative feedback on a less regular basis (passive management by exception).

Furthermore, turning to the link of transactional and transformational leadership with *labour flexibility*, we cannot conclude anything definite regarding a possible extension of the impact of these leader behaviours from large to small organisations, since - to the best of our knowledge - we are not aware of any study that researched this link before in large organisations. Yet, we expected associations with both temporal and functional flexibility that would have been similar to those of transactional and transformational leadership with OCB. As discussed in Chapter 3, none of the leader dimensions was related to

functional flexibility, except for passive management by exception. The relations between transformational and transactional leadership with temporal flexibility were nevertheless significant, but did not display a pattern that was compatible with the Full Range of Leadership theory. The fact that we did not find this pattern in relation to both flexibility measures might, however, reflect the particular nature of these outcome measures rather than a lack in effectiveness of transactional and transformational leader behaviours as such.

All in all, our results seem to indicate that the impact of transformational and transactional leadership in large organisations does extend to small and medium-sized enterprises. The findings of this study are therefore in line with Bass' (1997) contention that these leader behaviours would be effective in practically any kind of organisation.

This conclusion might suggest that a 'best practice' approach to leadership is more appropriate than a 'best fit' approach. Still, we contend that the search for contingencies should not be abandoned altogether. As will be pointed out in sections 6.3 and 6.4, leader effectiveness may for example be influenced by national culture, branch, entrepreneurial style, and - since we did not include large companies in this research - also by size.

### **6.2.3 Influence of Mediators and Moderators**

The specific contributions of this dissertation focused on the possible influence of mediators and moderators within our models. In Chapters 2 and 4 trust in the leader was included as a potential mediator. Affective organisational commitment was included as a mediator in Chapter 3, whereas participative and directive leadership were examined as possible moderators in Chapter 5. Mediators will be discussed first, followed by the moderators.

Starting with trust in the leader as a mediator between leader behaviours and Organizational Citizenship Behavior (Chapter 2), it was found that this variable mediated several relationships. With the exception of associations including the OCB of the best performing employees, trust acted as a mediator in two-thirds of the other relationships. Of these relationships four were fully mediated by trust in the leader. Our conceptual model in Chapter 4 presented trust as a mediator between leader behaviours and both organisational commitment and temporal flexibility. According to the results trust in the leader fully mediated the association between development stimulation and affective organisational commitment, and partially mediated the link between management by exception passive and temporal flexibility. In sum, it seems fair to say that within the context of SMEs trust in the leader plays a considerable mediator role in the relation between leader behaviour and employee outcomes. This conclusion is in accordance with social exchange theory (Blau, 1964), which states that beneficial leader behaviour will gain peoples' trust.

Mediation effects of affective organisational commitment were examined with regard to the associations of transformational and transactional leader behaviour with both functional and temporal flexibility (Chapter 3). We found that affective commitment did not play a mediator role in relations that incorporated functional flexibility as an employee outcome. One could therefore conclude that functional flexibility is unaffected by leadership and/or affective commitment. Yet, other factors may hinder employees in demonstrating extra effort in terms of functional flexibility. The way production is organised, a limited range of skills, limited financial resources, rigid interpretations of one's job or the absence of a genuine need for functional flexibility in SMEs could all be important impediments. Affective organisational commitment did, however, mediate the associations between all leadership dimensions, except for passive management by exception, and temporal flexibility. Given this result, the relation of beneficial leader behaviour, as represented by visionary leadership, development stimulation, contingent reward and active management by exception, with temporal flexibility can be perceived as a social exchange relationship (Blau, 1964). As such, beneficial leadership is reciprocated by employees' affective commitment, which in turn is translated into flexible employee behaviour in terms of working overtime and/or adjusting working schedules. Thus, like trust in the leader, affective organisational commitment can be an important mediator in the relationship between leader behaviour and employee outcomes in SMEs.

In Chapter 5 both participative and directive leadership were analysed as possible moderators of the relation between transformational leadership and affective organisational commitment. The data suggested that the moderating influence of participative leadership was not strong enough to be significant. Directive leadership nevertheless moderated the association between both visionary leadership and development stimulation, and affective organisational commitment. This finding would imply that the transformational leader behaviours could best be combined with a directive leader decision style. Although Bass (1985) proposed that transformational leadership could be equally well combined with a participative or a directive leader decision style, our results nevertheless suggest that a combination with a directive leader decision style is slightly more advantageous in the context of small and medium-sized enterprises.

## 6.3 Limitations

Data collecting of this study took about three years, during which each of the 50 participating companies were visited at one point in time. As such, employees and supervisors completed questionnaires only once and therefore our data could be labelled as cross-sectional. For this reason one cannot conclude anything definite about the causal

relationships between the variables that were analysed in this research. Conducting longitudinal studies, in which data are gathered at regular intervals among the same respondents, might shed more light on the causal relationships between leader behaviours and several employee outcomes.

As explained in the introduction, this thesis consists of four separate studies using one dataset or parts thereof, sometimes analyzing certain associations more than once. For example, the relationship between affective organisational commitment and temporal flexibility was analysed in Chapters 3 and 4. Considering the fact that both analyses were based on the same dataset of 50 SMEs, one cannot of course conclude that the evidence for this relationship found in Chapter 4 can be added to the support already found in Chapter 3. In this sense using one dataset can be considered as a second limitation of this study. What our results nevertheless seem to suggest is that for example the aforementioned association between affective organisational commitment and temporal flexibility can be found under different conditions, i.e. within the context of different models and using different methods (multilevel analysis vs. structural equation modelling). In addition, when a certain association, for example the negative relationship between passive management by exception and trust in the leader, was identified in a smaller sample of 18 SMEs (Chapter 2) and subsequently in a larger sample of 50 SMEs (Chapter 4), this may indicate some additional support. For, even in a larger and more varied sample the negative relationship between passive management by exception and trust in the leader was still significant.

Further, as reported in the introduction, a third limitation is that we were not able to analyse the integrated model (see Figure 1 in Chapter 1). Therefore, although support was found for several parts of our basic conceptual model, this study does not imply that the integrated model was actually identified. More data are needed to be able to analyse the entire model.

A fourth limitation of this study is that our sample of 50 companies was not a perfect replica of the total population of small and medium-sized enterprises. Still, a wide variety of SMEs participated in this research. As such, data were collected at different times and under different conditions, which helped to improve the external validity (Bracht & Glass, 1968) of this study and thus the ability to generalise our findings to the SME population as a whole. Some branches may nevertheless be overrepresented, whereas others may be underrepresented. The impact of different branches on the relationship between leader behaviour and employee outcomes in SMEs may however be rather small, since the results in Chapter 3 did not demonstrate a significant difference between manufacturing and non-manufacturing firms. By continuing data collection a larger set of companies may be obtained that better resembles the total population of SMEs and allows for a more rigorous testing of the possible influence of branches.

The fact that our research was done in the Netherlands presents another limitation, as the results of this dissertation may be subject to influences of the Dutch national culture and therefore cannot be generalised. According to Hofstede (1991) the Dutch national culture is characterised by a highly individualistic and highly feminine nature, a low power distance, and a rather low level of uncertainty avoidance. As proposed by one of the GLOBE studies, transformational leadership is expected to be less effective in individualistic cultures, but at the same time more effective in countries characterised by a low level of uncertainty avoidance (Den Hartog, House, Hanges & Ruiz-Quintanilla, 1999). These two predictions seem to more-or-less cancel each other out. Thus, compared to other countries, in the Netherlands the effect of transformational leadership will probably be around average. Yet, when taking the different dimensions of transformational leadership into account, national culture might influence their relative levels of effectiveness. Given the rather individualistic and feminine nature of the Netherlands, development stimulation might for example be more effective than visionary leadership, since development stimulation is more focused at the individual rather than the collective and at the same time more people-orientated than goal-orientated. On the other hand, a culture with a rather low level of uncertainty avoidance might be quite open to new challenges, which could be an advantage for the impact of visionary leadership. However, since the Netherlands' score on both individualism and feminism is more outspoken than the one on uncertainty avoidance (Hofstede, 1991), it is likely that development stimulation in this country will be more effective than visionary leadership. This may, of course, be different in other countries. Further, the Dutch culture is thought to be favourable to participative rather than directive leadership, since it is highly feminine and displays a low level of power distance (Den Hartog et al., 1999; Hofstede, 1991) However, the results in our sample of 35 small and medium-sized enterprises, as shown in Chapter 5, did not indicate this tendency. Both main and moderating effects of participative leadership were weaker than those of directive leadership. It might be that supervisors in SMEs are more effective, when they emulate the rather dominant style of the owner-managers of these companies (Koch & Van Straten, 1997). Yet, another explanation may be that a substantial amount of employees consider participative leadership to be a sign of weakness, indicating that supervisors do not know how to act when important decisions need to be made. Still, we do not know these things for a fact. To get a clearer picture of the influence of national culture on leader effectiveness in SMEs, we therefore encourage researchers to study this subject in many different countries.



## 6.4 Directions for Further Research

Apart from the suggestions in the previous section, we would like to commend several directions for further research. First of all, we would recommend future scholars to persist in a thorough examination of the MLQ, as - like other scholars (Den Hartog et al., 1997) - we encountered some problems identifying its structure as proposed by Bass and Avolio (2004). Specific attention should be paid to the role of contingent reward within the whole of this structure, since it is still unclear as to whether this dimension should be perceived as part of transactional rather than transformational leader behaviour. Further, we encourage to investigate the different dimensions of transformational leadership, not just in order to test the MLQ's validity but also to find out whether the separate components of transformational leadership might be differently related to various employee outcomes. In that event, it would be possible to recommend even more specifically which leader behaviours practitioners would have to demonstrate, if they wished to stimulate a particular employee attitude or behaviour.

Second, we suggest to further research the role of feedback in SMEs. As reported in Chapter 2, management by exception was negatively related to Organizational Citizenship Behavior. Active management by exception was even more strongly negatively related to OCB than passive management by exception. Since active management by exception can be perceived as the act of rather frequently delivering negative feedback, it may be worthwhile investigating the quality of this feedback and *how* leaders in SMEs actually provide feedback to their employees. By doing so, scholars may obtain new insights into the reasons why active management by exception may have negative consequences and eventually also find some ways for improving leaders' feedback skills.

Third, we propose that a wide variety of leadership theories be examined in the context of small and medium-sized businesses. In this study we were able to only research a few of the existing leadership theories, thereby necessarily discarding many others. Particularly interesting might be the examination of the Leader Member-Exchange theory (Dansereau, Graen & Haga, 1975; Gerstner & Day, 1997; Graen & Uhl-Bien, 1995; Pearson & Marler, 2010), as it pays attention to the exchange between leader and member, and the specific role that trust is playing in this relationship. Another theory that might be especially interesting to research within the SME-context is that of Emotionally Intelligent Leadership (Goleman, 2002), because it mainly focuses on the emotional bond that leaders create with their subordinates, which seems ever so important in small businesses in which work relationships need to be rather intense (Koch & Van Straten, 1997).

With regard to outcomes of leadership we suggest two directions for further research. The first of these is related to our finding that the OCB of the best employees was influenced neither by transactional nor by transformational leader behaviour. Since

this phenomenon cannot be explained from social exchange theory (Blau, 1964), which would predict that in any social exchange relationship beneficial leader behaviour would be reciprocated with positive behaviour by the employee, it is necessary to search for alternative explanations. As suggested by Bolino and Turnley (2003) some employees may be more predisposed to demonstrate citizenship behaviour, because they possess certain personal characteristics which others seem to lack, such as conscientiousness, positive affectivity and optimism (also see Podsakoff, MacKenzie, Paine & Bachrach, 2000). Thus, our fourth recommendation is to explore what personal traits may affect employee attitudes and behaviours in SMEs.

Our findings concerning labour flexibility raised several questions that also seem to warrant further research. In fact, our fifth suggestion addresses four related issues.

- 1) Why is labour flexibility in SMEs rather low?
- 2) Why is functional flexibility unrelated to effective leader behaviours?
- 3) What factors may hinder labour flexibility from occurring?
- 4) Apart from leadership, what other factors influence the occurrence of labour flexibility?

As reported in Chapter 3, the level of both temporal and functional flexibility in our sample of SMEs was rather low, considering the common view that small businesses are flexible organisations (Koch & Van Straten, 1997; Mintzberg, 1983; Skorstad, 2009). Further, we found no evidence that usually effective leader behaviours stimulated functional flexibility, i.e. employees taking on tasks that normally are not a part of their jobs. We therefore encourage future researchers to investigate why labour flexibility may be low within SMEs and why functional flexibility may not be influenced by beneficial leadership within this context. In addition, it will be useful to investigate what factors could impede labour flexibility, but also what factors could help increase labour flexibility in small and medium-sized companies. We know for example that training programs and teamwork are positively related to functional flexibility, but apart from that, little is known. Given the fact that many SMEs have a hard time competing with large businesses (Delmotte, Lamberts, Sels & Van Hootegem, 2002; Koch & Van Straten, 1997), also from a practical point of view it is quite important finding at least some answers to the questions mentioned above. Moreover, in order to arrive at a deeper level of understanding of these matters, it may be commendable to first conduct qualitative rather than quantitative studies, as these might be more appropriate if one wishes to uncover complicated underlying patterns and mechanisms in relation to labour flexibility.

This dissertation showed that both trust in the leader and affective organisational commitment cannot be ignored as mediators in the relation between leader behaviours and several employee outcomes. It also identified directive leadership as a moderator of the association between transformational leadership and affective commitment. There may,

however, be many more mediators and moderators affecting the link between leadership and employee outcomes in the context of small and medium-sized enterprises. Our sixth commendation is therefore to also include alternative mediators and moderators in future research on leader effectiveness within SMEs. For instance, it may be useful to investigate employees' perception of leader fairness or justice (Colquitt, Conlon, Wesson, Porter & Ng, 2001; Niehoff & Moorman, 1993) as a possible mediator. This concept is related to trust in the leader (Pillai, Schriesheim & Williams, 1999) and could shed some more light on social exchange relationships (Blau, 1964) within SMEs. In addition, entrepreneurial style (Covin & Slevin, 1988; Sadler-Smith, Hampson, Chaston & Badger, 2003) could be examined as a potential moderator. The impact of transformational leadership might, for example, be strengthened if owner-managers are predisposed to an innovative style, or might be weakened if they are to be characterized as being risk-averse or reactive. Moreover, the inclusion of entrepreneurial style in leadership research could possibly stimulate a cross-fertilisation between leadership and entrepreneurship theory building.

Finally, we propose that future studies incorporate small to medium-sized as well as large businesses, preferably belonging to the same branch. Measuring the same constructs and using the same methods, it will then be fairly easy to compare leader effectiveness in one category to the other and to establish whether company size really matters.

## 6.5 Practical Implications

### 6.5.1 Which Leader Behaviours Should Be Promoted?

The second generic aim of this dissertation was to provide leaders in SMEs with some practical advice as to which leader behaviours can best be applied, if they wish to improve employees' attitudes and behaviours. In this section we will therefore discuss the practical usefulness of all of the leadership dimensions that were incorporated in this study, starting with the dimensions of transactional and transformational leadership and finishing with the participative and directive leader behaviours.

As in large organisations, passive management by exception had better be avoided in SMEs, because it was negatively related to Organizational Citizenship Behavior, affective organisational commitment and trust in the leader. Although it was positively related to both temporal and functional flexibility, we do not believe this to be a good sign. On the contrary, we contend that employees will feel more-or-less obliged to be flexible when leaders demonstrate passive management by exception.

According to the Full Range of Leadership theory (Bass & Riggio, 2006) active management by exception should have a more positive effect on employee outcomes than its passive counterpart. Considering its positive associations with affective commitment

and temporal flexibility, and less negative (Chapter 2) or not-significant (Chapter 4) link with trust in the leader, there is some evidence for this view. However, its association with OCB was even more negative than that of passive management by exception. Given these results, one could hardly recommend the demonstration of active management by exception to practitioners in small and medium-sized businesses. Since it will nevertheless be inevitable for these leaders, as it will be for their peers in larger organisations, to sometimes take corrective action or provide negative feedback to their employees, we suggest that they improve their feedback skills. If they know how to deliver useful feedback, it may be better received by the employees and therefore have less detrimental or even positive effects on employee outcomes.

As expected, the most active component of transactional leader behaviour, contingent reward, was positively related to trust in the leader, affective commitment, Organizational Citizenship Behavior and temporal flexibility. The strength of the associations was similar to those of transformational leadership with these particular outcome measures. Thus, SMEs who encourage leaders to reward employees for their achievements, may expect favourable employee outcomes, especially if this reward is psychological in nature. When leaders show genuine appreciation for subordinates' efforts, this will be reciprocated with positive employee attitudes and behaviours.

Transformational leadership, measured as a one construct, was positively related to OCB and trust in the leader. The specific dimension of visionary leadership was positively related to affective organisational commitment and temporal flexibility, but not to trust in the leader when the other dimension of transformational leadership, development stimulation, was also included in the model. The reason for this phenomenon is probably that the association between development stimulation and trust in the leader was even stronger and therefore overruled the impact of visionary leadership on trust. In turn, development stimulation showed substantial but slightly weaker relationships with affective commitment and temporal flexibility. All in all, leaders in SMEs will certainly do well, if they manage to improve their transformational leadership skills. Communicating a sense of mission and being optimistic that future goals will be attained, as well as helping employees developing their strengths and creative abilities, seem to be indispensable leader behaviours.

Although participative leadership did not demonstrate a moderator effect in the relationship between transformational leader dimensions and affective organisational commitment, it did account for unique variance in affective commitment over and above that accounted for by development stimulation and directive leadership (Chapter 5). Thus, allowing employees to participate in decision making may sometimes be useful in small and medium-sized companies.

Directive leadership not only showed main effects on affective organisational commitment, but also moderating effects in the relation between transformational leader dimensions and affective commitment. These findings imply that top-down goal setting and role clarification by the leader will affect employees' voluntary emotional attachment to the company. Moreover, in the event that transformational leader behaviour is combined with a directive leader decision style, its impact on people's commitment will be even stronger.

In summary, alongside the improvement of feedback skills, contingent reward, visionary leadership, development stimulation and directive leadership can best be applied, if small and medium-sized enterprises wish to enhance employees' attitudes and behaviours.

### **6.5.2 How to Set Up an Effective Leadership Development Program**

Now that we know *which* leadership skills can be improved to become more effective, owner-managers of SMEs might rightfully raise the question as to *how* they can set up an effective leadership development program within their companies. Of course, a whole volume could be written about this subject alone (see for example Avolio & Bass, 1991; Kouzes & Posner, 1987), which obviously cannot be done here. Yet, we will give a brief impression of what such a program could look like (also see Mesu & Schutman, 2010). To the owner-managers we would propose to take the following five steps.

Step 1: Obtain a reliable scan of your leaders' capacities.

To this end a questionnaire, for example the one of this study, can be used to measure leader behaviour. In order to obtain a fuller picture, preferably both the employees and their leaders are asked to what degree the leaders demonstrate several leader behaviours.

Step 2: Discuss the results.

Once the data have been interpreted by a capable adviser, the results are discussed with the owner-manager of the company. Comparisons are drawn, for example between the company's overall score and those of other firms, but also between employees' and leaders' own ratings. Next, the owner-manager discusses the results with his or her leaders. Depending on the situation, this can be done with the whole group or on a one-to-one basis.

Step 3: Generate personal development plans.

After the specific strengths and weaknesses of each individual leader have been considered, leaders are asked to generate ideas for self-improvement. Then, personal development plans are drawn up, including specific goals as well as an action plan indicating how targets will be reached. For leaders who received rather low ratings on most leader behaviours, it

might be best to first focus on basic leadership skills, like goal setting, role clarification, feedback skills and rewarding behaviour. Once they have mastered the basic skills, at least to a reasonable extent, the focus could shift to more advanced transformational behaviours.

Step 4: Provide a training program.

With personal development plans ready to be used as input, now an appropriate training program needs to be established. Also depending on the financial means of the company, this may include workshops, personal coaching and/or counselling, observing other leaders, peer consulting, or a combination of methods.

Step 5: Use complementary HR instruments to reinforce continuous improvement.

To ensure that the leadership development program will not be a one-off, quickly to be forgotten, it is imperative that complementary HR instruments be mobilized. For example, an assessment of the progress in development made by the individual leaders needs to be incorporated in the appraisal system of the firm. Compensation may also motivate leaders to persistently invest in their self-improvement.

Naturally, such a program will only be successful *providing* leaders are dedicated to the development of their capabilities. Above all, setting the example will be of the utmost importance, as - in the spirit of Albert Schweitzer - we believe that example is not the best way to lead, it is the *only* way.



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Summary in Dutch

Transformationeel en Transactioneel  
Leiderschap: Werkt dit in het Midden-  
en Kleinbedrijf?



# Inleiding

Over de effectiviteit van leiderschapsgedrag in het midden- en kleinbedrijf (M.K.B.) is nog vrij weinig bekend. Gezien de haast ontelbare studies op het terrein van leiderschap binnen grote organisaties en gezien het grote aandeel van het M.K.B. (99%) in het totaal aantal bedrijven is dat opmerkelijk. Om die reden wordt in dit proefschrift aandacht besteed aan deze omissie in het wetenschappelijk onderzoek naar leiderschapsgedrag.

Ondanks dat er inmiddels veel bekend is over de effecten van leiderschapsgedrag in grote organisaties, mogen we niet voetstoots aannemen dat dit gedrag dezelfde effecten zal sorteren in de M.K.B.-omgeving. Het midden- en kleinbedrijf verschilt immers op belangrijke punten van het grootbedrijf. Zo kenmerkt het M.K.B. zich bijvoorbeeld door relatief eenvoudige organisatiestructuren en een geringe mate van formalisering. Verder is het passen in de groep en het teamgevoel in dit soort bedrijven van groot belang. Daarentegen heeft de groei van de organisatie bij het merendeel van de M.K.B.-ondernemers geen prioriteit, sterker nog, velen van hen vinden een substantiële groei zelfs onwenselijk.

Ofschoon organisaties in vele soorten en maten voorkomen, stelde Bernard Bass (1997) dat transformationeel en transactioneel leiderschap in praktisch alle organisaties effectief zou zijn, dus ook in het midden- en kleinbedrijf. *Transactioneel leiderschap* verwijst daarbij naar een leidinggevende die medewerkers aanstuurt om de afgesproken prestaties te halen. Dit leiderschapsgedrag onderscheidt men in een drietal dimensies. *Contingent reward* is het gedrag van een leidinggevende die heldere doelen stelt en medewerkers beloont als zij deze bereiken. Met *active management by exception* wordt een leidinggevende bedoeld die actief in de gaten houdt of medewerkers van de norm afwijken dan wel fouten of vergissingen maken en hen vervolgens direct corrigeert. Met *passive management by exception* duidt men een leidinggevende aan die passief afwacht tot medewerkers van de norm afwijken dan wel fouten of vergissingen maken en dan pas ingrijpt.

In tegenstelling tot transactioneel leiderschap verwijst *transformationeel leiderschap* naar een leidinggevende die medewerkers inspireert en motiveert tot prestaties die juist buitengewoon zijn. Transformationeel leiderschap valt normaal gesproken uiteen in een viertal dimensies. Aangezien wij deze vier dimensies niet hebben aangetroffen in onze data, gebruiken wij in deze dissertatie slechts twee dimensies: *visionary leadership* en *development stimulation*. Onder *visionary leadership* verstaan wij leiderschapsgedrag dat gericht is op het behalen van toekomstige doelen, het uitdragen van een aantrekkelijke visie en het zorgen voor een gezamenlijk missiegevoel, terwijl we onder *development stimulation* leiderschapsgedrag verstaan dat erop gericht is medewerkers iets te leren, hen te stimuleren om innovatief en creatief te zijn, en hen te helpen hun sterke punten

te ontwikkelen. Uit onderzoek in grote organisaties is inmiddels gebleken dat met name transformationeel en - in mindere mate - transactioneel leiderschap positieve effecten op houding en gedrag van medewerkers tot gevolg heeft.

In deze studie wordt de effectiviteit van leiderschap gemeten aan de hand van drie effectmaten die van groot praktisch nut zijn voor het midden- en kleinbedrijf, te weten:

a) *Organizational Citizenship Behavior* (OCB) oftewel de vrijwillige extra inspanning van een medewerker; b) Arbeidsflexibiliteit in termen van *temporele flexibiliteit*, gedefinieerd als het verrichten van overwerk en in het belang van het bedrijf aanpassen van werktijden, vrije tijd of vakanties, en in termen van *functionele flexibiliteit*, gedefinieerd als het overnemen van taken die niet tot de normale taken van de medewerker behoren; c) *Affectieve betrokkenheid bij de organisatie* ofwel de vrijwillige emotionele band die een medewerker met de organisatie voelt.

Gezien het specifieke karakter van het midden- en kleinbedrijf en het gebrek aan leiderschapsonderzoek in deze context is het eerste algemene doel van dit proefschrift: te onderzoeken of de effectiviteit van transformationeel en transactioneel leiderschapsgedrag behalve in grote organisaties ook geldt in het M.K.B.. Het tweede algemene doel is om eigenaren van M.K.B.-bedrijven advies te geven welke leiderschapsgedragingen zij het beste kunnen stimuleren in hun organisaties, als zij de houding en het gedrag van hun medewerkers positief willen beïnvloeden.

Naast de twee algemene doelen kent deze dissertatie enkele specifieke doelen. Ten eerste hebben we onderzocht of het *vertrouwen in de leidinggevende*, gedefinieerd als de loyaliteit van de medewerker aan de leidinggevende en het geloof dat de medewerker stelt in diens oprechtheid, de relaties medieert tussen transformationeel en transactioneel leiderschap enerzijds en OCB, arbeidsflexibiliteit en affectieve betrokkenheid bij de organisatie anderzijds. Ten tweede hebben we geanalyseerd of affectieve betrokkenheid een mediërende rol speelt in de relatie tussen transformationeel en transactioneel leiderschap enerzijds en de eerder genoemde vormen van arbeidsflexibiliteit anderzijds. Ten derde is onderzocht of directief en participatief leiderschap de relatie tussen transformationeel leiderschap en affectieve betrokkenheid bij de organisatie modereren, d.w.z. versterken of verzwakken. In dit verband wordt *directief leiderschap* gedefinieerd als gedrag van de leidinggevende dat zich richt op het top/down vaststellen van doelen en het duidelijk maken van ieders rol. Onder *participatief leiderschap* wordt verstaan dat de leidinggevende zijn medewerkers in de besluitvorming betreft.

In ongeveer drie jaar tijd zijn voor dit onderzoek gegevens verzameld bij vijftig M.K.B.-bedrijven. De uiteindelijke steekproef bestond uit 755 werknemers en 121 direct leidinggevendenden. De deelnemende bedrijven waren zeer divers: van I.C.T.-organisaties tot kinderopvangcentra en van agrarische bedrijven tot restaurants en cafés. Hierdoor konden we onze hypothesen in een gevarieerde verzameling van organisaties testen.

# Resultaten

## **Werkt Transformationeel en Transactioneel Leiderschap ook in het M.K.B.?**

Kunnen we op grond van de resultaten van dit proefschrift concluderen dat transformationeel en transactioneel leiderschap in het M.K.B. dezelfde impact heeft als in grote organisaties?

Om te beginnen laat deze studie zien dat transformationeel en transactioneel leiderschap conform de verwachtingen gerelateerd was aan het vertrouwen dat medewerkers in hun leidinggevende stelden. In de resultaten werd bovendien het patroon zichtbaar dat door Bass en Riggio (2006) werd voorspeld. Dit wil zeggen dat transformationeel leiderschap het sterkste positieve verband toonde, gevolgd door contingent reward en active management by exception, terwijl passieve management by exception negatief gerelateerd was aan het vertrouwen in de leidinggevende.

Een vergelijkbaar patroon was zichtbaar in de relatie tussen de leiderschapsdimensies en affectieve betrokkenheid bij de organisatie. Uitzondering was hier contingent reward, dat een even sterk positief verband met affectieve betrokkenheid liet zien als transformationeel leiderschap. Dit verschijnsel deed zich reeds vaker voor in onderzoeken bij grote organisaties. In die zin wijken de resultaten van ons onderzoek in het M.K.B. dus niet echt af.

In de relatie tussen leiderschap en OCB was het met name active management by exception dat het voorspelde patroon doorbrak, doordat het een sterkere negatieve band had met OCB dan passieve management by exception. Voor het overige toonden zowel transformationeel leiderschap als contingent reward de te verwachten positieve relaties met OCB.

Omdat er hoegenaamd niets bekend is over de relatie van transformationeel en transactioneel leiderschap met arbeidsflexibiliteit in grote bedrijven, is helaas geen vergelijking met onze resultaten in het M.K.B. mogelijk. Met uitzondering van passieve management by exception was geen enkele leiderschapsdimensie aan functionele flexibiliteit gerelateerd. Temporele flexibiliteit vertoonde daarentegen significante verbanden met alle leiderschapsdimensies, overigens zonder dat we het door Bass en Riggio (2006) voorspelde patroon konden waarnemen. Het feit dat dit patroon niet zichtbaar was kan echter meer te maken hebben met het specifieke karakter van arbeidsflexibiliteit dan het gebrek aan effectiviteit van transformationeel en transactioneel leiderschap.

Al met al lijkt de conclusie dus gerechtvaardigd dat transformationeel en transactioneel leiderschap vergelijkbare invloeden heeft als in het grootbedrijf en dus ook effectief kan zijn in het M.K.B..



## **Impact van Vertrouwen, Betrokkenheid en Directief Leiderschap**

Uit de resultaten blijkt dat het vertrouwen in de leidinggevende een mediërende invloed heeft op de relatie tussen verscheidene leiderschapsdimensies en Organizational Citizenship Behavior, affectieve betrokkenheid bij de organisatie en temporele flexibiliteit van medewerkers. Affectieve betrokkenheid bleek eveneens een mediërende rol te spelen in de relatie tussen transformationeel en transactioneel leiderschap enerzijds en temporele flexibiliteit anderzijds. Daarnaast vervulde directief leiderschap een rol als moderator en versterkte zodoende het effect van transformationeel leiderschap op de affectieve betrokkenheid van medewerkers.

## Adviezen voor de Praktijk

In het algemeen raden wij directeuren in het midden- en kleinbedrijf aan om de feedbackvaardigheden van hun leidinggevendens te verbeteren en voorts het belonend gedrag van leidinggevendens te stimuleren, evenals transformationele gedragingen zoals het stimuleren van de ontwikkeling van medewerkers, het uitdragen van een aantrekkelijke visie en het creëren van een gezamenlijk missiegevoel. Dit transformationeel leiderschapsgedrag kan het beste gecombineerd worden met directief leiderschap, dat wil zeggen het top/down aangeven welke doelen behaald moeten worden en helder maken wie precies welke rol te vervullen heeft.

Individuele bedrijven zouden een zinvol ontwikkelingsprogramma kunnen doorlopen aan de hand van het volgende vijfstappenplan.

**Stap 1:** Laat een betrouwbare scan maken van de vaardigheden van uw leidinggevendens. Voor dit doel kan een vragenlijst worden gebruikt, bijvoorbeeld de vragenlijst die voor deze studie is gebruikt, om het vertoonde gedrag van leidinggevendens te meten. Om een zo compleet mogelijk beeld te krijgen wordt de lijst bijvoorkeur door zowel de medewerkers als de leidinggevendens zelf ingevuld.

**Stap 2:** Bespreek de resultaten.

Zodra de data geïnterpreteerd zijn door een deskundige onderzoeker, worden de resultaten besproken met de directeur van het bedrijf. Er worden samen analyses gemaakt door bijvoorbeeld de resultaten van het onderhavige bedrijf naast die van andere bedrijven te leggen en tevens door de scores van medewerkers en leidinggevendens met elkaar te vergelijken. Vervolgens bespreekt de directeur de uitkomsten met de leidinggevendens. Afhankelijk van de situatie kan dit individueel of met de hele groep gebeuren.

Stap 3: Stel persoonlijke ontwikkelingsplannen op.

Nadat de sterke en zwakke kanten van leidinggevendens besproken zijn, dragen zijzelf ideeën aan die uitmonden in hun persoonlijk ontwikkelingsplan. Leidinggevendens die op de meeste leiderschapsgedragingen laag scoren, adviseren wij zich eerst te richten op relatief eenvoudige vaardigheden zoals het stellen van doelen en het geven van feedback. Op het moment dat zij deze basisvaardigheden redelijk tot goed beheersen kunnen zij zich meer gaan toeleggen op geavanceerde, transformatieele gedragingen.

Stap 4: Zorg voor een trainingsprogramma.

Nu de ontwikkelingsplannen gereed zijn, moet een passend trainingsprogramma worden opgesteld. Mede afhankelijk van de financiële middelen van het bedrijf kan dit bestaan uit een cursus, workshops, individuele coaching en/of counseling, observatie van anderen, intervisie, of een combinatie van deze mogelijkheden.

Stap 5: Gebruik aanvullende personeelsinstrumenten voor continue verbetering.

Om te voorkomen dat het ontwikkelingsprogramma slechts een eenmalige exercitie wordt, is het verstandig om aanvullende personeelsinstrumenten in te zetten. Hierbij valt te denken aan functionerings- en beoordelingsgesprekken en de beloning van de leidinggevendens. Door de ontwikkeling van de leidinggevendens aan de orde te stellen in functionerings- en beoordelingsgesprekken en tevens deel uit te laten maken van de beloning houdt men niet alleen de vinger aan de pols, maar kan men hen tevens motiveren om te investeren in hun eigen ontwikkeling.

Dit stappenplan kan uiteraard alleen succesvol zijn wanneer leidinggevendens gemotiveerd zijn om zich te ontwikkelen. Bovenal is het uiterst belangrijk dat directeuren zelf het goede voorbeeld geven.



D

Dankwoord



Zelden komt een werk tot stand door de inspanning van een enkel persoon. Dit proefschrift vormt daarop geen uitzondering. Ik maak dan ook graag van de gelegenheid gebruik om alle mensen die op enigerlei wijze hebben bijgedragen aan de totstandkoming van deze dissertatie hartelijk te danken voor hun hulp en inzet. Zonder anderen tekort te willen doen noem ik hierna een aantal mensen in het bijzonder.

Om te beginnen wil ik de voormalige directeur van de Academie Mens en Arbeid (AMA) van Saxion, Joop Cuppen, bedanken voor het vertrouwen dat hij in mij heeft gesteld om dit avontuur tot een goed einde te brengen. Mede hierdoor mocht ik van Saxion drie werkdagen per week aan mijn onderzoek besteden. Ook de huidige directeur van de AMA, Caroline van de Molen, en de directeur van het Saxion Kenniscentrum voor Innovatie en Ondernemerschap, Theodor van der Velde, ben ik zeer erkentelijk voor de middelen die zij ter beschikking hebben gesteld.

Voorts gaat mijn dank uit naar mijn begeleiders, Karin Sanders en Maarten van Riemsdijk. Ondanks haar reislust en overvolle agenda was het altijd mogelijk op korte termijn met Karin te overleggen en liet haar respons op mijn probeersels nooit langer dan een paar dagen op zich wachten. Bovendien heeft zij mij gestimuleerd om me te bekwamen in geavanceerde methoden van onderzoek als multilevel analyse en state of the art statistische programma's als *Mplus*. Anderzijds zorgde Maarten er steeds voor dat we de praktische relevantie van het onderzoek niet uit het oog verloren. Naast zijn deskundigheid heb ik zijn relativeringsvermogen en gevoel voor de menselijke maat zeer op prijs gesteld.

Vervolgens mag niet onvermeld blijven dat Peter Geurts mij in het begin van het promotietraject heeft ingewijd in de geheimen van de statistische analyse met behulp van SPSS, terwijl Johan Smits mij later op verscheidene momenten geweldig heeft geholpen kleine, maar oh zo hinderlijke problemen op te lossen in het gebruik van SPSS en *Mplus*. Beiden hartelijk dank daarvoor!

Uiteraard wil ik ook alle studenten die hebben meegewerkt met Klas+ bedanken voor hun onmisbare hulp bij de dataverzameling. Voor dit proefschrift heb ik gebruik kunnen maken van data die verzameld zijn door Angelina Arends, Senta Boone, Mirthe Borghuis, David Colijn, Marleen ten Duis, Veronique Fokkens, Dennis Huizinga, Susan Hulleman, Wouter Knoeff, Marleen Leppink, Wim-Jan Mansier, Lenneke van der Molen, Timothy Neys, Niels Pril, Florian Ropertz, Trees Sanders, Rob Sauer, Nadia Schutman, Geke Seiger, Jos van Swaaij, Ünsal Tan, Manon Verveld, Ilona Vrugink en Kasper Weterkamp. Allemaal hartelijk dank! Verder wil ik Marleen Woolderink, destijds student van de Universiteit Twente, hartelijk danken voor haar bijdrage in de dataverzameling. Een speciaal dankjewel ben ik verschuldigd aan Manon Verveld, die niet alleen als student van Saxion en later als student van de Universiteit Twente zelf data heeft verzameld, maar daarnaast ook als onderzoeksassistent veel praktisch werk heeft verzet om het onderzoek in goede banen te leiden.

Het zou bezijden de waarheid zijn om te zeggen dat ik door het promoveren te weinig aandacht aan mijn gezin heb kunnen schenken. Niettemin kende ook dit traject zijn strubbelingen, zijn ups en zijn downs. Het is dan een geweldig voorrecht iemand naast je te hebben met wie je dit alles kunt delen. Als laatste wil ik daarom mijn vrouw Mieke hartelijk bedanken voor haar onvoorwaardelijke steun.



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