

THE QUALITY OF LEADER/EMPLOYEE RELATIONSHIP IN BUSINESS PERFORMANCE

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ABSTRACT

This study set out to investigate what role the quality of the relationship between business leaders and their employees played in the performance of their business. The study compared the business performance of forty five area managers in one of the major listed banks in South Africa with their specific leader/employee relationship profiles. The research approach was quantitative and of a correlational nature. The results indicate that although certain elements within the relationship between business leaders and employees indeed have an influence on business performance this alone was not a sufficient condition. The study suggested that the dimensions relating to vision, trust, accountability and decision-making have the strongest influence on business performance. Further research in this area is suggested.

Key words

Quality, leader/employment relationship, business performance

There are views that indicate that the success of an organization is as a direct result of the leadership. One such organisation is Southwest Airlines that was viewed as a very successful organisation in the early nineties. Southwest Airlines was the only US airline to earn a profit every year from 1973 to 1996. Its net profit margins averaged over 5% since 1991, the highest in the industry. It had the lowest staff turnover percentage in the industry, and the company experienced a 133% traffic growth between 1991 and 1996, ranging from 20% to 30% per year.

The management team at Southwest Airlines believed that leadership was the key ingredient to their success. Freiburg and Freiburg (1996) claim that an organisation rises to greatness when the otherwise latent talents and energies of its people are evoked by the power of leadership. According to Freiburg and Freiburg (1996) leadership at Southwest Airlines was practiced through collaborative relationships. The people of Southwest Airlines worked in relationships where the roles of leader and collaborator were interchangeable. Essentially, leadership was something leaders and collaborators were doing together at Southwest Airlines.

Maxwell (2003) claims that individuals cannot succeed without the help of others, and that relationships impact on leadership. He further claims that relationships hold teams together and that the more solid the relationship the more cohesive the team. However, the question is: Will involvement with others lead to the success of a team?

Certain authors and commentators on modern leadership have a similar view regarding leadership in the sense that leadership is not a one-person activity. The views revolve around interdependence, care and growth, service or servant leadership and being in control as opposed to taking control and interactive leadership. The common thread involves relationships between the members of specific groups or teams and their ability to adopt the role of either leader or follower, depending on the specific demands of the situation.

The leadership challenge therefore is about how leaders can mobilise others to want to get extraordinary things done in organisations. It is about the practices leaders use to transform values into actions, visions into realities, obstacles into innovations and risks into rewards. Leadership is a relationship between those who aspire to lead and those who choose to follow (Kouzes and Posner, 2002). Leadership is not something that only takes place at the highest level in an organisation, but it can be found everywhere. According to Kouzes and Posner (2002) success in business and life is, and will continue to be, a

function of how well people work and play together. They further claim that collaboration is the critical competency for achieving and sustaining high performance, and trust and vulnerability are at the heart of collaboration. According to Kouzes and Posner (2002), if neither person in a relationship takes the risk of trusting at least a little, the relationship is inhibited by caution and suspicion.

If leaders want to achieve the higher levels of performance that come with trust and collaboration, they must demonstrate their trust in others before requiring for trust from others. The mantra of exemplary leaders should therefore be: "You can't do it alone", because getting extraordinary things done can simply not be achieved by a single person who acts alone.

If it is accepted today that the content of leadership has not changed, but that the context has changed as a result of many factors such as heightened uncertainty, people being more connected than ever before, globalisation, technological changes and speed of interaction, then it appears that the biggest leadership challenge is about the capacity to build and sustain those human relationships that enable people to get extraordinary things done on a regular basis.

In the new leadership landscape the context is continuously changing, and roles between leader and employer are becoming more fluid, stakeholder involvement is getting broader and leadership styles need to become more inclusive. Folkman and Zenger (2002) claim that there is a strong relationship between focusing on results and interpersonal skills in the successful modern leader, therefore not allowing the modern leader to operate in silos; a more holistic approach, or at least a multidimensional one, is required. Finding a positive relationship between leader/employee relationships and business performance supports Welch (2001) when he claimed that building good people led to people building good products and services and, by implication, successful businesses.

Based on the information presented and comments from various authors the modern team or work group should then be made up of individuals who are just as comfortable to lead as they are to follow, and are sensitive to the specific needs of the team and mature enough to know when to play which role. The key, it can be argued, is their relationship with the other members and the leader of the group. The objective of the research is to investigate factors that influence the quality of the leader/employee relationship and what affect that might have on business performance.

Towards a leadership/employee relationship model

It has been accepted as a truism that good leadership is essential to business, to government and to countless groups and organisations that shape the way in which we live, work and play (Robbins, 1986). Bridle (2001) agrees with this idea and claims that successful business begins at the top and is driven by leadership. A leader gives direction and sets standards, creates inspired people whose enthusiasm for the business leads to an innovative approach to the business and also inspires employees with natural enthusiasm and flair when interacting with customers. In the paragraphs that follow it is the intention of the author to investigate certain elements that have an influence on the relationship between business leaders and their employees with the purpose of building up a model of the leadership employee relationship.

Substance in leadership

When asked what made a leader effective, Stoner and Wankel (1986) replied that most people when asked this question would probably reply that effective leaders have certain desirable traits or qualities – for example, charisma, foresight, persuasiveness and intensity. And indeed, when thinking of heroic leaders such as Napoleon, Washington, Lincoln, Roosevelt and Churchill, it is recognised that such traits came naturally to them and were necessary for what they accomplished. However, numerous studies of leadership – some dating back to the nineteenth century – have failed to demonstrate that any trait or quality is consistently associated with effective leadership.

Most text books on leadership, management or organisational behaviour will explain in great detail the various theories whether they are trait, behavioural, contingency or situational theories, and how the most important factor in organisational effectiveness is the high-performance group or team and the importance of the role the leader plays in the performance of that particular group. Kotter (1999) who studied organisations for the past thirty years came up with a few observations regarding leaders. He claims that the increasingly fast-moving and competitive environment of the twenty-first century demands more leadership from more people to make enterprises prosper. He further claims that the central issue is not one of a new leadership style. In a globalising world with a better educated workforce that is no longer inclined to be seen and not heard, a new leadership style is indeed called for, but style is not the key leadership issue, but substance within the leader.

Leadership as core behaviour

Veldsman (2002) appears to share Kotter's view when he claims that without different and better leadership that is appropriate to the post-modern world, the future will indeed be bleak. Kotter (1999) says that it is all about core behaviour on the job, not surface detail and tactics, but a core that changes little over time, across different cultures or in different industries. He further states that managerial work is increasingly becoming a game of dependence on others instead of having power over others.

This statement from Kotter highlights the interdependent relationship that exists between business leaders and their followers. This is a thought also shared by Bridle (2001) when he claims that being a leader is not about taking control, but it is about being sufficiently in control to be able to transfer leadership to others, and to encourage leadership in others. Leadership is also about paying attention to good relationships. According to Gittel (2003) taking care of relationships is good management practice and the foundation for competitive advantage.

Building on the thoughts of Kotter and Bridle it may be said that leaders are not always trying to lead. They recognise that from time to time leadership will pass from them and move to someone else who can best provide leadership at that particular time. The leaders will, however, still be around to provide direction and encouragement if required.

Leadership as empowerment

Another author shares this view of interdependence. Boon (2001) claims that the wise leader in a position of power will devolve power to his subordinates. He will ensure that they have the power to veto any of his decisions. He will be totally reliant on consensus, notwithstanding his ability to persuasively influence the group. He will create mechanisms to ensure that he is unable to become an autocrat. In other words, Boon is suggesting that the wise leader will ensure some form of participation from subordinates.

Leadership as vulnerability

Boon (2001) further states that a strong leader is able to make unpopular decisions. Because of the trust and faith people have in him these will be respected and accepted. It usually becomes clear that even unpopular decisions are made for the right reasons and to gain the best results. As a result, even more trust is built into his leadership. None of this can be achieved without the leader becoming vulnerable and exposed. Leadership is vulnerability (Boon, 2001), an interesting point made if one takes Ghandi as an example. Ghandi made himself vulnerable and therefore incorruptible and by doing so became a very strong leader. Yet, he held no official government office or position. Kouzes and Posner (2002) agree on the area of vulnerability and claim that trust in the leadership relationship is built when one makes oneself vulnerable to others whose subsequent behaviour we can't control.

Interactive leadership

Where Bridle (2001) talks about encouraging leadership within others, Boon (2001) refers to interactive leadership, and claims that interactive leadership involves leading one another, leading and being led by colleagues regardless of the position in the organisation. This approach assumes equality of humanity, without discounting individual "seriti/isithunzi", and a collective aspiration towards superordinate goals. "Seriti" is a Sotho word which in broader terms refers to the aura around a person. "Isithunzi" is an Nguni word meaning the same. Boon (2001) claims that a person's "seriti" or "isithunzi" reflects that person's moral weight, influence and prestige. It is what identifies an individual to be good, or what will identify a person to be depleted of goodness. The view that (Boon, 2001) is bringing across is that whether an individual is a leader who is being led or whether the individual is a follower being asked to lead, the individual status or influence (seriti/isithunzi) of that person will not be diminished, nor will the person be thought less of. In fact the person's understanding of the collective goals of the group will be highlighted as will the individual's willingness to share the group's accountabilities.

Leadership as accountability

On a different continent two authors share this concept of accountability towards the group. Giuliani and Kurson (2002) say that any chief executive should expect his or her top staff to be experienced, successful individuals, and sometimes these are not the type of people who are accustomed to admitting in front of a group that they don't know everything, especially when that group setting includes the rivalries and jockeying for position that are the signs of healthy competition. The business leader should counter that reluctance early and often. One of the best lessons a leader can communicate to his or her staff is that problems – or worse, covering them up – should not be tolerated (Giuliani and Kurson, 2002).

Leadership as collaboration

To explain the concept of collaboration Freiburg and Freiburg (1996) explore the lone ranger myth. They claim that reading the business literature an impression is created that Jack Welch single-handedly transformed General Electric, Anita Roddick built the Body Shop without any help and that Norman Schwarzkopf rallied the allied forces in Desert Storm all by

himself. Intellectually most people would agree that no one person – no matter how great – can do any of this alone. Yet they claim that individuals have been conditioned to think of leadership in terms of the heroic figure who comes to the rescue of people who are too weak to help themselves. They further claim that the lone ranger image – the idea that one heroic person is out in front taking charge while everyone else passively follows is not what happens.

Leadership as service

When Freiburg and Freiburg (1996) investigated the success of Southwest Airlines they uncovered the concept of “service” or “servant leadership”. The concept suggests that inherent in the act of leadership is the natural desire and corresponding choice to first serve others. They claim that leadership is being a faithful, devoted, hard-working servant of people, and participating with them in the agonies, as well as the ecstasies of life.

Schuitema (1998) has a similar view on leadership when he explores the Care and Growth model for leadership. He claims that empowerment is about an incremental suspension of control. This implies that empowerment is as much a result of "not doing" as it is of "doing". The leader does not do anything to the subordinate, he does things for the subordinate. He removes restrictive barriers (Schuitema, 1998). It is interesting to note that Schuitema immediately qualifies the statement of incremental suspension of control by saying that it comes with maturity. He claims that maturity implies giving or acting with generosity and courage. It means that in every situation a person does not act in terms of what that person wants, but that person acts in accordance with what is in the best interests of the other (Schuitema, 1998).

This thought of maturity can be linked with Boon’s view on vulnerability, Freiburg and Freiburg’s view on service or servant leadership, Kotter’s views on interdependence and Bridle’s view on encouraging leadership in others. These authors who were mentioned do not focus on personal excellence like Steven Covey or on the command relationships like Tom Peters, but they rather take a stance where leadership must create the conditions for employees to work because they want to. It is a case of empowering and growing subordinates.

Interpersonal skills

Maxwell (2003) claims that relationships are the glue that hold teams together, and the more successful an individual wants to be as a leader depends on his or her ability to connect with people. He further claims that few things will pay bigger dividends than the time and trouble taken to understand people. Almost nothing will add more stature to an executive and a person. Becoming a highly relational person brings individual and team success (Maxwell, 2003).

Folkman and Zenger (2002) claim that an extraordinary leader must have competencies clustered into the following five different areas:

- Character
- Focus on results
- Interpersonal skills
- Leading organisational change
- Personal capacity.

For example, a number of relationship competencies such as building relationships, developing others, collaboration and teamwork and communicating powerfully and prolifically are clustered in the interpersonal skills domain. They further claim that strength in the interpersonal skills cluster of competencies will distinguish great from good leaders, and if this is combined with strength in focusing on results it is a valuable and a powerful combination, and is also very likely to lead to success and overall effectiveness (Folkman and Zenger, 2002).

Role switching

One cannot only look at the leaders and their roles in business performance. The follower plays just as important a role, specifically as all the authors quoted above have been of the opinion that the best approach should be a participative one. Two students of leadership theory, Lussier and Achua (2001) made an observation that leadership was not a one-way street. They stated that even when someone was identified as a leader, the same person would hold a complementary follower role. It is not uncommon to switch being a leader and being a follower several times over the course of a day’s work. How to integrate these diverse roles is an interesting question with valuable lessons for leadership effectiveness. Lussier and Achua (2001) further claim that one researcher on high-performance teams revealed that the most successful teams were those that had a great deal of role-switching among the followers about who was serving in a leadership role at any given time.

The observation made was that successful teams had members who were operating in the team who were comfortable to fulfill either the role of leader or follower at any time. Boon (2001) agrees with this, but he claims that it is the responsibility of the leader to bring the leadership qualities of the whole group to the fore. He says that there is some degree of leadership in every person. All people can be encouraged to develop and demonstrate dormant leadership qualities. Leaders at all levels of progression are responsible for nurturing, stimulating and wakening the leader instinct that exists within practically every human being. This is the nature of leadership (Boon, 2001).

Based on the survey of some of the relevant literature, and as described above, Figure 1 below could provide an indication of the leadership/employee relationship model as the author sees it. The model, for example, takes concepts such as vision, trust, empowerment, servanthood and links them to the quality of the relationship between leader and employee. The premise is that the quality of the relationships has an influence on issues like teamwork, group accountability, performance standards, subordinate growth or role interchangeability which, in turn, influence business performance. The relationships between the various concepts and their influence on each other are also indicated in the model. It therefore postulated that the leader-employee relationship will have a significant relationship to business performance.

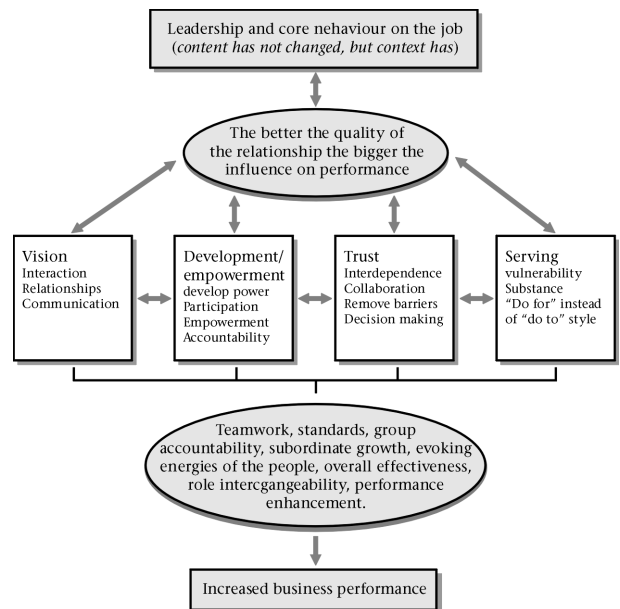


Figure 1 : Leadership/employee relationship model

The following are the objectives of this research:

- Investigate what makes up leader-employee relationship quality.
- Investigate the relationship between the quality of this relationship and business performance.
- Possible recommendations how this relationship can be improved.

RESEARCH DESIGN

Research approach

To be able to answer the research question the business performance of a number of leadership groups within a specific organisation was compared with their specific leader/employee relationship profiles. The research approach was quantitative, and of a correlational nature.

An important issue to define was the one of dependent and independent variables. The independent variable being the leader/employee relationship profile as measured by the leader/employee index and the dependent variable business performance as measured by the balanced scorecard. Both variables are discussed in greater detail in the following section. The figure below visually depicts the two sets of variables and the relationship between the leadership/employee index and the balanced scorecard during the study.

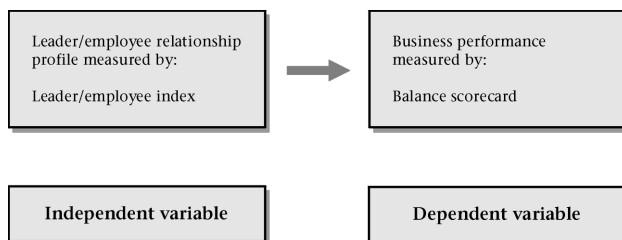


Figure 2: Independent and dependent variables

Participants

The population for the study was derived from all the branches of a major listed financial institution within the borders of South Africa. The financial institution has divided its branch banking-business into the nine provinces in the country. For the purpose of this study branches over the entire country were used. The reason for this was to ensure a large enough population.

Within the financial institution the nine provinces are further divided along municipal boundaries into forty-five catchment areas each with a number of branches responsible for delivering banking services to its clients. Each catchment area has a management group consisting of an area manager, an area sales manager and several branch managers. The area manager is the appointed leader for each group. The study included all forty five catchments, and therefore all forty five assessments were done on the forty five area managers. The units of analysis were therefore the area managers within the forty five catchment areas. Of the forty five area managers in the sample 12 were female and 33 were male. In terms of the definition used by the Employment Equity Act, the racial mix was 62% white and 38% black. The average months in position for the sample group was 22,6 months. The male average being 22,9 months, and the female average 21,8. Biographical details of the sample are summarised in Table 1.

TABLE 1
RESPONDENTS' BIOGRAPHICAL DATA

Race	Male	Female	Total
African	6	3	9
Coloured	3	3	6
Indian	1	1	2
White	23	5	28
Average time in position	22,29	21,8	22,6

Measuring instruments

Independent variable (leader/employee index)

Braxton (2004) has worked on and developed a culture print model which provides the basis for any organisation to measure specific aspects of the organisation's culture and employee satisfaction. The culture print model identifies eleven workplace community values which, in turn, can be broken down into forty nine measurement dimensions. Sixty eight survey questions are used to indicate an organisation's performance in each of the measurement dimensions. This can be used as an indication of how well an organisation is performing in terms of community values. Braxton (2004) further claims that the culture print model provides a way to link employee satisfaction to tangible bottom-line measures, for example, profitability, sales growth and quality innovation.

The culture print model contains a leader/employee index which measures the quality of the relationship between the business leaders and subordinates. The leader/employee index makes it possible to analyse specific leaders' strengths and development areas using the following approach:

- Questions that serve as representative measures for good and effective leadership are identified throughout the questionnaire.
- Each person participating in the survey identifies his or her report, and while completing the survey also provides a score regarding the effectiveness of his or her leader.
- The results of all the business leaders in a group are consolidated in one report in order to identify strengths and development opportunities for leaders in the business.
- Alternatively, the results for a specific leader are consolidated in one report in order to identify strengths and development opportunities for that particular business leader.

The following leadership/employee index questions are used along with the rationale for using each question.

According to Braxton (2004) the culture print model is a statistical validated instrument, and has a published reliability factor (Cronbach's alpha) of 0,98, and a validity factor of 0,67. On the face of the report it appears that the culture print model, and therefore the leader/employee index, reliably and validly measures what it is designed to measure.

Dependent variable (balanced scorecard)

The balanced scorecard had its origins in the early nineties when David Norton acted as the study leader to Robert Kaplan, an academic consultant. They were studying innovative performance-measurement systems because executives and academics realised that traditional financial measures like earnings per share and return on investment were giving misleading signals for continuous improvement and innovation, the activities that the new competitive environment demanded. Through their research and discussions the balanced scorecard was created. During a year-long research project with twelve companies at the leading edge of performance measurement,

they devised a balanced scorecard, a set of measures that gave top management a fast, but comprehensive view of the business (Kaplan and Norton, 1992). The balanced scorecard is used in this research because it is recognised worldwide as a performance measurement tool.

TABLE 2
LEADERSHIP/EMPLOYEE INDEX QUESTIONS

Leadership/employee index questions	Rationale for using question
1. During the performance contracting process, I had the opportunity to influence the performance standards that are expected of me.	Participation takes place where the leader and the employee apply a process of communication and formalisation of results to be achieved.
2. I can discuss my career objectives with my leader.	Leaders are receptive and open when facilitating an individual's career aspirations. The importance of a person's career as part of the overall performance process is emphasised.
3. I receive monthly informal feedback regarding my performance.	Indicates that individuals receive frequent informal input regarding their performance, where the management of performance takes place as an everyday occurrence.
4. The performance measures for which I am accountable have an impact on the performance of the organisation.	People are provided with a sense of purpose through understanding what is required from a results perspective. The focus is whether individual performance is aligned to the organisation's objectives.
5. I understand what the organisation's expectations are in terms of my career.	Individuals are provided with information on the organisation's talent needs, this will enable them to match their careers with the organisation's expectations.
6. My leader inspires people to achieve the organisation's vision.	Leaders create unity and commitment behind the vision through their own behaviour and actions.
7. My leader ensures that people believe in the future of the organisation.	Leaders take ownership and identify with the organisation, thereby harnessing the energy and enthusiasm of their people.
8. My leader regularly discusses the future of our organisation with us.	Indicates the extent to which leaders communicate the future of the organisation, thereby directing the energy of their people.
9. My leader accepts accountability for both the successes and the failures of our team.	The leader takes ownership of the results achieved by his/her team, whether or not targets have been met.
10. My leader always makes decisions in the best interest of our team.	Indicates that decisions made by the leader support the objectives of his/her team.
11. My leader addresses problem situations in our team, even if it could make him/her unpopular.	The leader acts to resolve disagreement within the team, irrespective of any impact on his/her personal popularity.
12. My leader supports me on how to accomplish my performance goals.	Indicates that the leader extends help and support towards the achievement of performance goals.
13. Where I work my leader encourages an environment where people freely share their opinions.	The leader promotes the importance of open communication that builds a level of trust openness and accessibility.
14. My leader involves our team in making decisions that will affect us.	Indicates the leader's regard for getting buy-in within the decision-making process, thereby ensuring inclusive decision-making where ownership is taken.
15. My leader trusts me in making decisions relating to my job.	Leaders display confidence in the manner in which people resolve a challenge or problem when making decisions.
16. I understand the competencies required for future positions.	Indicates the level of understanding between leaders and their subordinates regarding their development for future roles and promotion.

The scorecard framework has four important elements, namely: financial performance, customer-value proposition, internal processes, and learning and growth. Each element, or perspective, may have a number of key result areas which can be specifically measured by key performance indicators, depending on what the specific strategy of the organisation or business unit is. Objectives in the four perspectives link together in a chain of cause-and-effect relationships. Enhancing and aligning intangible assets, according to Kaplan and Norton (1992), lead to improved process performance, which, in turn drives success for customers and shareholders. Table 3 below provides an indication of the balanced scorecard perspectives and the corresponding key results area's linked to the perspectives.

TABLE 3
THE BALANCED SCORECARD PERSPECTIVES AND THEIR CORRESPONDING KEY RESULT AREAS

Balanced scorecard perspective	Key result area
Financial	Costs
	Contribution
	Liabilities
	Assets
Customer	Customer satisfaction
	Direct debit accounts
	Vertical sales index
Internal processes	Audit
	Capacity
People	Development
	Staff satisfaction
	Employment equity

The purpose of using the balanced scorecard to drive and measure performance is that it can give a balanced view of what is important to any business. While providing senior managers with information from four different perspectives, the balanced scorecard minimises the information overload by limiting the number of measures used. According to Kaplan and Norton (1992) companies rarely suffer from having too few measures. More commonly they keep adding new measures when an employee or consultant makes a worthwhile suggestion.

The balanced scorecard forces leaders to focus on the handful of measures that are most critical, it captures the critical value-creation activities created by skilled, motivated organisational participants, while retaining an interest in short-term performance, via the financial perspective. According to Kaplan (2002), by using the balanced scorecard, individuals are now freed from narrow and restrictive job descriptions and are encouraged to come to work daily and do their jobs differently and better, thus adding to the advancement of the company.

The two immediate advantages for any company in using the balanced scorecard is, firstly, that it brings together many of the seemingly disparate elements of a company's competitive agenda in a single management report, and, secondly, that it guards against suboptimisation by forcing senior managers to consider all the important operational measures together. The balanced scorecard clearly reveals the value drivers for superior long-term financial and competitive performance. This can be measured by giving the different perspectives weightings to add up to 100%, and giving the specific performance indicators rating scales, so that when the performance is measured it can be projected as a specific value and individuals and teams can be compared with each other and even ranked. The measurement and ranking will assist in the intended correlational study.

Procedure

The data collection for the study took place over a two-month period beginning in April 2005, and giving the author until the end of June 2005 to ensure that all relevant information was collected and taken into account. During April 2005 all the managers within the forty five catchments underwent a culture print model assessment which included the leader/employee index. The assessment comprised of a self-assessment and an assessment done by the individuals' subordinates. These assessments were administered by an external vendor to the financial institution and completed electronically to ensure accurate capturing and confidentiality of the information. Once all the assessments were completed, individual and group leader/employee index reports were produced and used in the study. A monthly balanced scorecard was produced for individual branches, areas and provinces. Once the leader/employee index reports were produced and available to a specific group, the balanced scorecard's score for that group was used for the purposes of the study.

Analysis of the data

The analysis of the data was done on behalf of the author by the STATKON unit at the University of Johannesburg using the Statistical Package for the Social Sciences (SPSS version 13), and the following analyses were made:

- Descriptive statistics were examined.

Once all the data was collected the process of analysis began, using both descriptive and inferential statistics. May, Masson and Hunter (1990) describe descriptive statistics as procedures used to summarise a set of data and inferential statistics as procedures that allow inferences to be made from a set of data.

- Pearson product correlations.

Pearson product correlations were performed between each of the items on the leadership/employee relationship measure and the four dimensions of the balanced scorecard to produce a correlation matrix.

Correlational analysis answers the following three possible questions about sets of data:

- Whether there was a relationship between sets of data?
- What the direction of the relationship was (positive or negative)?
- How strong the relationship was? (Walliman and Baiche, 2001).

The statistical term used for the description of the evaluation of the relationship is the correlation coefficient, which is the numerical indicator of the strength and direction of the relationship between two variables. However, May, Masson and Hunter (1990), warn against the existence of a strong correlational bond between variables implying a causal bond. Although the correlation coefficient describes the degree of linear relationship between two variables, it does not necessarily indicate whether the one is a result of the other. This analysis of the correlation coefficient will enable an indication as to whether there are indeed relationships between the quality of leader/employee relationship as measured by the leader/employee index and business performance as measured by the balanced scorecard.

- Multiple regression.

Multiple regression was done to ascertain the effect which items of the leadership/employee index have on dimensions of the balanced scorecard. The multiple regression also assisted with the investigation into exploring the possibility of predictive relationships existing between the leadership/employee index and the balanced scorecard.

An ethical consideration was also given to the data, and Rogelberg (2002) claims that all researches must evaluate their competence to conduct the research, their knowledge of ethical guidelines, soundness of the research design and the ethical acceptability of their study. For this reason consent has been obtained from the company, and to further protect the confidentiality of the information the names and areas of participants have been substituted with letters and numbers.

RESULTS

Summary of the relationship between the leadership/employee index and the balanced scorecard performance measures

Pearson product correlations were performed between the items on the leadership/employee index and the dimensions of the balanced scorecard. The four perspectives (financial, customer, internal, and people) and their sub-dimensions were used. Table 4 summarises the correlations between the leadership/employee index questions and the balanced scorecard dimensions.

TABLE 4
CORRELATIONS BETWEEN LEADERSHIP/EMPLOYEE INDEX ITEMS AND BALANCED SCORECARD OVERALL DIMENSIONS

Leadership/employee index item**	Balanced scorecard perspective***				
	Financial	Customer	Internal processes	People	Total business performance
LEI 1	-0,221 p<0,145	0,185 p<0,223	0,104 p<0,498	0,099 p<0,517	0,021 p<0,889
LEI 2	-0,085 p<0,579	0,209 p<0,169	0,241 p<0,111	0,152 p<0,320	0,179 p<0,24
LEI 3	-0,115 p<0,453	0,216 p<0,154	0,335 p<0,024*	0,113 p<0,459	0,176 p<0,249
LEI 4	0,139 p<0,363	0,188 p<0,215	0,247 p<0,102	0,240 p<0,112	0,347 p<0,020*
LEI 5	0,070 p<0,649	0,208 p<0,169	-0,101 p<0,511	0,199 p<0,190	0,192 p<0,206
LEI 6	0,180p <0,236	-0,082 p<0,593	-0,007 p<0,966	0,053 p<0,731	0,094 p<0,539
LEI 7	-0,026 p<0,865	0,139 p<0,362	0,193 p<0,204	0,186 p<0,221	0,184 p<0,227
LEI 8	-0,020 p<0,896	0,149 p<0,330	0,139 p<0,364	0,199 p<0,191	0,181 p<0,235
LEI 9	-0,166 p<0,276	0,31 p<0,038*	0,134 p<0,381	0,210 p<0,165	0,168 p<0,270
LEI 10	-0,091 p<0,554	0,225 p<0,137	0,272 p<0,071	0,293 p<0,051	0,252 p<0,095
LEI 11	-0,139 p<0,363	0,042 p<0,787	-0,104 p<0,497	-0,010 p<0,095	-0,102 p<0,506
LEI 12	-0,003 p<0,986	0,168 p<0,271	0,023 p<0,883	0,258 p<0,087	0,191 p<0,210
LEI 13	0,044 p<0,773	0,111 p<0,470	0,044 p<0,775	0,333 p<0,026	0,232 p<0,125
LEI 14	-0,149 p<0,329	0,002 p<0,990	-0,074 p<0,630	0,176 p<0,249	-0,038 p<0,804
LEI 15	-0,211 p<0,164	0,139 p<0,362	0,019 p<0,902	0,119 p<0,435	-0,010 p<0,948
LEI 16	-0,122 p<0,425	0,198 p<0,193	0,087 p<0,569	0,153 p<0,315	0,106 p<0,489

*Significant at the 0,05 level

**Leadership/employee index items

LEI 1 - My leader inspires people to achieve the business vision.

LEI 2 - My leader ensures that people believe in the future of the business.

LEI 3 - My leader regularly discuss the future of our business with us.

LEI 4 - My leader accepts accountability for both the successes and failures of our team.

LEI 5 - My leader always takes decisions in the best interest of our team.

LEI 6 - My leader addresses problem situations in our team, even if it could make him/her unpopular.

LEI 7 - My leader supports me on how to accomplish my performance goals.

LEI 8 - Where I work my leader encourages an environment where people reely share their opinions.

LEI 9 - My leader involves our team in making decisions that will affect us.

LEI 10 - My leader trusts me in making decisions relating to my job.

LEI 11 - During the performance-contracting process, I had the opportunity to influence the performance standards which are expected of me.

LEI 12 - I can discuss my career objectives with my leader.

LEI 13 - The performance measures for which I am accountable impact on the performance of the business.

LEI 14 - I receive monthly informal feedback on my performance.

LEI 15 - I understand what the business expectations are in terms of my career.

LEI 16 - I understand the competencies required for future positions.

***** Balanced scorecard perspective description**

Financial – Relate to financial measures that indicate whether the company’s strategy and corresponding tactics are contributing to the bottom line.
 Customer – Deals with measures relating to the customer service or experience provided to the external customers of the business.
 Internal processes – Relates to measures that indicate core processes that will enable superior customer performance, financial prosperity and people growth and development.
 People – Relates to measures aimed at ensuring the management and growth of intangible assets.
 Total business performance – Is a combination of the four perspectives, indicating overall business success.

It is noteworthy that only a few of the leadership/employee index items appear to have a significant relationship with the balanced scorecard perspectives. It appears that none of the leadership/employee index items have a relationship of any significance with the financial perspective of the balanced scorecard, and only one item on the leadership/employee index has any significant relationship with the customer perspective of the balanced scorecard. The internal processes and total business performance perspectives each have two significant relationships with some of the items and the people perspective has three significant relationships. The items are: LEI 3 has two significant relationships with the people perspective, LEI 4 has a relationship with total performance, LEI 9 has a relationship with the customer perspective, LEI 10 has a relationship with the people perspective, and LEI 13 also has a relationship with the people perspective, a total of six altogether.

For the purposes of investigation the average leadership/employee index score was also compared with the total business performance of the catchment areas. Table 5 summarises the correlations. The data suggest no significant relationships between the average leadership/employee relationship score and the total business performance score. May, Masson and Hunter (1990) claim that the value of the correlation between two variables may be underestimated when the range of the variables is restricted. It could be a plausible explanation for the weak relationship between the average leadership employee relationship scores and the total business performance scores as the range for the leadership/employee relationship scores is very narrow.

**TABLE 5
 AVERAGE LEADERSHIP/EMPLOYEE INDEX AND BALANCED SCORECARD CORRELATION TABLE**

Balanced scorecard perspective **	Correlation with leadership/employee index average*	Statistical significance
Financial	-0,075	p<0,625
Customer	0,167	p<0,273
Internal processes	0,101	p<0,510
People	0,194	p<0,202
Total business performance	0,142	p<0,351

*** Average leadership/employee index score**

For each catchment area, the average was computed for the 15 LEI items and this was correlated with the overall score for each of the balanced scorecard dimensions.

**** Balanced scorecard perspective description**

Financial – Relate to financial measures that indicate whether the company’s strategy and corresponding tactics are contributing to the bottom line.
 Customer – Deals with measures relating to the customer service or experience provided to the external customers of the business.
 Internal processes – Relates to measures that indicate core processes that will enable superior customer performance, financial prosperity and people growth and development.
 People – Relates to measures aimed at ensuring the management and growth of intangible assets.
 Total business performance – Is a combination of the four perspectives, indicating overall business success.

Upon closer investigation of each of the items of the leadership/employee index and the key result areas of the balanced scorecard dimensions, certain relationships are found. Four of the dimensions of the leadership/employee index appear to have significant relationships with some of the balanced scorecard key result areas. The four are LEI 1, LEI 4, LEI 9 and LEI 10.

LEI 1 (*My leader inspires people to achieve the business vision.*) appears to have a relationship with the **contribution** element of

the financial perspective that is significant at the p<0.05 level and relationships significant at the p<0.10 level with the **customer satisfaction** element of the customer perspective and the **people development** element of the people perspective.

LEI 4 (*My leader accepts accountability for both the successes and failures of our team.*) has a number of significant relationships. It appears to have a relationship at the p<0.10 significance level with the **people development** element of the people perspective, and relationships at the p<0.05 significance level with the **liabilities** component of the financial perspective, the **audit component** of the internal perspective and the **overall business performance**.

LEI 9 (*My leader involves our team in making decisions that will affect us.*) appears to have a significant relationship at the p<0.05 level with the **development** element of the people perspective, the **customer satisfaction** element of the Customer perspective and the **total customer perspective**.

LEI 10 (*My leader trusts me in making decisions relating to my job.*) appears to have the most relationships with the elements of the balanced scorecard. It has relationships at the p<0.05 significance level with the **customer satisfaction** element of the customer perspective, the **audit component** of the internal perspective, and the **development** part of the people perspective. It also has significant relationships at the p<0.10 level with **total internal perspective**, the **total people perspective** and the **overall business performance**.

On first inspection it appears that the elements of the leadership/employee index which have a significant relationship with components of the balanced scorecard are the elements relating to **vision** (LEI 1), **accountability** (LEI 4), **decision-making** (LEI 9) and **trust** (LEI 10). Table 6 provides a summary of the correlation matrix that indicates the described relationships.

**TABLE 6
 CORRELATION BETWEEN BALANCED SCORECARD KEY PERFORMANCE AREAS AND THE LEADERSHIP/EMPLOYEE INDEX**

Balanced scorecard dimension**	Leadership/employee relationship index item*			
	LEI 1	LEI 4	LEI 9	LEI 10
Contribution	-0,300 p<0,045			
Liabilities		0,308 p<0,039		
Customer satisfaction	0,254 p<0,092		0,409 p<0,005	0,334 p<0,025
Customer			0,31 p<0,038	
Audit		0,354 p<0,017	0,317	p<0,034
Internal processes				0,272 p<0,071
Development index	0,249 p<0,099	0,257 p<0,088	0,309 p<0,038	0,437 p<0,003
People				0,293 p<0,051
Total business performance		0,347 p<0,020		0,252 p<0,095

*** Leadership/employee index item description**

LEI 1 – My leader inspires people to achieve the business vision.
 LEI 4 – My leader accepts accountability for both the success and failures of our team.
 LEI 9 – My leaders involves our team in making decisions that will affect us.
 LEI 10 – My leader trusts me in making decisions relating to my job.

**** Balanced scorecard dimension description**

Contribution – Relates to the measure indicating overall profit growth. Measured monthly.
 Liabilities – Relates to the growth in liabilities measure. Measured monthly.
 Customer satisfaction – Is a measure indicating the view the customers have of the bank. Measured bi-annually.
 Customer - Deals with measures relating to the customer service or experience provided to the external customers of the business. A consolidation of all the customer measures.
 Audit – Relates to the measure around high-risk audits, done annually in all branches.
 Internal processes - Relates to measures that indicate core processes that will enable superior customer performance, financial prosperity and people growth and development.

Measured annually.

Development index – Is a measure relating to the improvement in competencies of the staff employed in a specific area. Measured annually.

People - Relates to measures aimed at ensuring the management and growth of intangible assets. Measured annually.

Total business performance – Is a combination of the four perspectives, indicating overall business success.

The impact of the leadership/employee index items on the balanced scorecard key performance areas – a multiple regression approach

What is noteworthy, as with the correlational analysis, is the fact that very few of the leadership/employee index items have a predictive relationship with the dimensions on the balanced scorecard. The regression analyses did, however, highlight some important effects.

Table 7 below indicates that a predictive relationship exists between the LEI 3, LEI 4, LEI 6, LEI 9, and LEI 16 items in the leadership/employee index and the cost dimension of the balanced scorecard. The items are the following:

- My leader regularly discusses the future of our business with us.
- My leader accepts accountability for both the successes and failures of our team.
- My leader addresses problem situations in our team, even if it could make him or her unpopular.
- My leader involves our team in making decisions that will affect us, and I understand the competencies required for future positions.

TABLE 7
MULTIPLE REGRESSION TABLE FOR THE BALANCED SCORECARD COST KEY PERFORMANCE AREA

Source	DF	Sum of squares	Mean square	F Value	Pr>F
Model	5	7824,68	1564,94	4.66	0,002
Error	39	13095	335,78		
Corrected Total	44	20920			
Variable					
LEI 3					0,017
LEI 4					0,010
LEI 6					0,013
LEI 9					0,007
LEI 16					0,058

Table 8 below indicates a predictive relationship between LEI 11 (*During the performance-contracting process, I had the opportunity to influence the performance standards that are expected of me.*) and the contribution dimension of the balanced scorecard.

TABLE 8
MULTIPLE REGRESSION TABLE FOR THE BALANCED SCORECARD CONTRIBUTION KEY PERFORMANCE AREA

Source	DF	Sum of squares	Mean square	F Value	Pr>F
Model	1	812,86	812,86	4.27	0,045
Error	43	8187,14	190,40		
Corrected Total	44	9000			
Variable					
LEI 11					0,045

The LEI 7 (*My leader supports me on how to achieve my performance goals.*) and LEI 15 (*I understand what the business expectations are in terms of my career.*) both influence the capacity dimension of the balanced scorecard, as indicated in Table 9.

TABLE 9
MULTIPLE REGRESSION TABLE FOR THE BALANCED SCORECARD CAPACITY KEY PERFORMANCE AREA

Source	DF	Sum of squares	Mean square	F Value	Pr>F
Model	2	398,33	199,16	4,52	0,017
Error	42	1851,67	44,09		
Corrected Total	44	2250			
Variable					
LEI 7					0,005
LEI 15					0,023

The following leadership-employee items have a predictive relationship with the people development dimension of the balanced scorecard: LEI 4 (*My leader accepts accountability for both the successes and failures of our team.*), LEI 8 (*Where I work my leader encourages an environment where people freely share their opinions.*), and LEI 11 (*During the performance-contracting process, I had the opportunity to influence the performance standards that are expected of me.*). These are indicated in table 10.

TABLE 10
MULTIPLE REGRESSION TABLE FOR THE BALANCED SCORECARD PEOPLE DEVELOPMENT KEY PERFORMANCE AREA

Source	DF	Sum of squares	Mean square	F Value	Pr>F
Model	3	2185,32	728,44	4,38	0,009
Error	41	6814,68	166,21		
Corrected Total	44	9000			
Variable					
LEI 4					0,090
LEI 8					0,006
LEI 11					0,002

LEI 16 (*I understand the competencies required for future positions.*) again has a predictive relationship with one of the balanced scorecard dimensions. This time it is the staff satisfaction dimension, and is indicated in Table 11.

TABLE 11
MULTIPLE REGRESSION TABLE FOR THE BALANCED SCORECARD STAFF SATISFACTION KEY PERFORMANCE AREA

Source	DF	Sum of squares	Mean square	F Value	Pr>F
Model	1	521,65	521,65	12,98	0,001
Error	43	1728,35	40,19		
Corrected Total	44	2250			
Variable					
LEI 16					0,001

Table 12 indicates a predictive relationship between LEI 1 (*My leader inspires people to achieve the business vision.*), and LEI 6 (*My leader addresses problem situations in our team, even if it could make him/her unpopular.*) and the employment equity dimension of the balanced scorecard.

Lastly, again LEI 16 relating to future competencies has a predictive relationship with the people dimension of the balanced scorecard. This is indicated in Table 13.

TABLE 12
MULTIPLE REGRESSION TABLE FOR THE BALANCED SCORECARD
EMPLOYMENT EQUITY KEY PERFORMANCE AREA

Source	DF	Sum of squares	Mean square	F Value	Pr>F
Model	2	1328,30	664,15	3,64	0,035
Error	42	7671,71	182,66		
Corrected Total	44	9000			
Variable					
LEI 1					0,092
LEI 6					0,017

TABLE 13
MULTIPLE REGRESSION TABLE FOR THE BALANCED
SCORECARD PEOPLE KEY PERFORMANCE AREA

Source	DF	Sum of squares	Mean square	F Value	Pr>F
Model	1	5030,48	5030,48	8,28	0,006
Error	43	26120	607,43		
Corrected Total	44	31150			
Variable					
LEI 16					0,006

DISCUSSION

The primary goal of the study was to investigate the correlation that leadership-employee relationship has with business performance. Based on the correlational study that was done the relationship between the leadership/employee index and the overall business performance of the catchment areas appears not to be significant enough to be made any observations from. The results however do indicate that there is a relationship between some of the elements of the leadership/employee index and key result areas of the balanced scorecard.

Vision

The study suggests that there is a significant relationship between the vision the leader creates for the employees in terms of achieving business objectives and the financial, customer and people perspectives of the balanced scorecard. This corresponds with the thoughts of Thompson and Strickland (2003) who claim that managers cannot function effectively as leaders without a future-orientated view of the business, and that a well-articulated vision creates enthusiasm for the course chosen by management and engages members of the organisation.

Accountability

This study indicates that there is a significant relationship between leadership accountability and the people, financial, and internal-processes perspectives of the balanced scorecard. There appears also to be a relationship of significant value with the overall business performance. This finding supports the thoughts of Meyer and Boninelli (2004), Boon (2001), Kouzes and Posner (2002) and Schuitema (2000) who all emphasise the importance of accountability in the leadership relationship, and the role of individual accountability as a critical element of every collaborative effort. Giuliani and Kurson (2002) also mention the idea of accountability towards the group and the importance thereof.

Decision-making

The study indicates a significant relationship between decision-making as an element of the leadership-employee relationship and the customer and people perspectives of the balanced

scorecard. This concept is supported by the team decision-making model of Team New Zealand, the 1995 America's Cup winning team. The research therefore proves the impact that decision-making or empowerment has on the overall business performance. An idea also supported by Chrislip (2002), to which he refers as consensus-based decision-making.

Trust

The study indicates significant relationships between trust as an element of leadership-employee relationship and the customer, internal processes and people perspectives of the balanced scorecard. It also has a significant relationship with the overall business performance. This appears to support the idea that trust plays a major part in the leadership-employee relationship and it may influence business performance. Whitney (1994) claims that trust can be directly linked to profit and loss, and Maxwell (2003) claims that integrity is crucial for business and personal success.

The predictive nature of the leadership/employee index

It appears that the leadership-employee relationship is an important but not complete predictor of business performance. The regression analysis done indicates that very few of the items on the leadership/employee index appear to have any significant relationship with dimensions on the balanced scorecard that are predictive in nature. Only LEI items 4, 6, 11 and 16 appear to have multiple influences on the balanced scorecard. They are the items that deal with accountability, action orientation, empowerment or contribution, and future orientation. This appears to support the thoughts of Folkman and Zenger (2002) who claim that successful leaders are those that have the ability to combine their interpersonal skills as strengths with their action orientation or focus on results.

Leadership/employee relationship model

Earlier in the study the author put forward the idea in the leadership/employee relationship model that the quality of the relationship is largely influenced by four groupings. These are trust, vision, serving and development/empowerment, which, in turn influence business performance. The premise is that the better the quality of the relationship, or the more elements pertaining to the four groupings that are present, the bigger the influence on business performance.

Having evaluated the results and seen the relationship that appears to be present between some of the leadership/employee index elements and perspectives of the balanced scorecard the model could be adjusted to include the following grouping as significant in the leadership-employee relationship: vision, trust, accountability and decision-making. Figure 3 below indicates the new model of leadership/employee relationship.

Limitations

Although the business has not implemented the leadership/employee index measurement or the balanced scorecard throughout all its units, it could provide certain restrictions on the breadth of the study. The research was also limited to one industry and a specific discipline within that industry. This could possibly restrict the findings in terms of the elements of the relationship that appear to have an influence on business performance. It is suggested that this study is conducted in various industries to see if the model will apply universally.

A further limitation could be the fact that only the area managers of the bank were used in the study, it might be of interest to use the indexes of the branch managers as well.

Recommendation

It is recommended that further studies be done to see whether similar relationships are prevalent, not just in a repeat

analysis, but also in different industries. It is further recommended that the elements of the relationship, viz trust, vision, decision-making and accountability, become areas that leaders are measured and developed in, as that would be an obvious place to start if a business would want to influence business performance through the quality of the leadership-employee relationship.

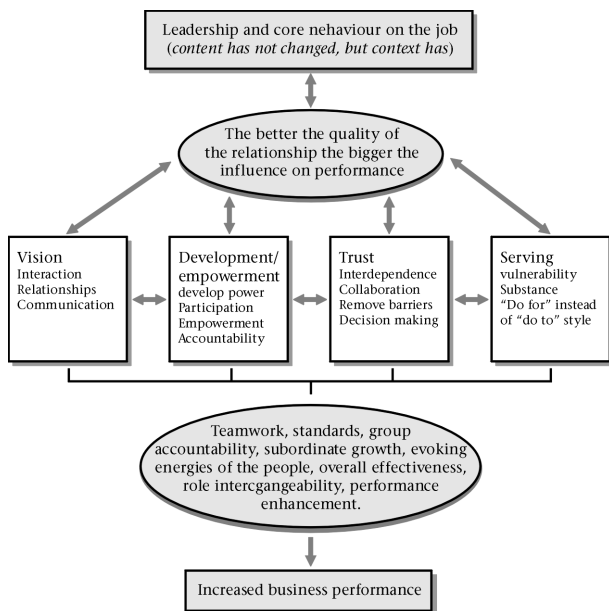


Figure 3: New leadership/employee relationship model

CONCLUSION

The study set out to investigate the possible effect that the quality of the relationship between a business leader and his or her employees or followers would have on overall business performance, and although the investigation did not conclusively find a significant relationship between the quality of the relationship and business performance, or overwhelming evidence of many predictive relationships, it did highlight some interesting facts. The elements that a person would think would influence good leadership and, in turn, performance were indeed found to be critical. The study emphasises the influence of accountability, decision-making, vision and trust on business performance and an individual would then reasonably deduce that those elements are critical for any leader if he or she would want to successfully impact on business performance. The study also made it possible to conclude that certain items of the leadership/employee index could very well act as leading indicators for business performance as measured by the balanced scorecard.

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