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Shahid Pervez
University of Kalmar, Sweden, June 2005
ABSTRACT

Organisations are different from each other due to a myriad of factors. One of them is motive. Organizations fundamentally operate under two premises: first is to make profits and the second is to provide social services without an explicit intend to make profits. This study mainly focuses on these organisations and explores the compatible leadership behaviours in these organisations. In other words, what different leadership behaviours prevail in these organisations? Major studies in the field related to profit and non-profit organisations are discussed in a comparative way, from leadership, organisational, and employees’ point of views. Moreover, leadership approaches such as situational and major behavioural patterns are discussed in order to have a broader understanding of the topic.

Key words: Profit, Non-Profit, Organisation, Leadership, and Leadership Behaviours.
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1. INTRODUCTION

The need for a leader who can make difference in today’s turbulent business environment is critical to the success of the organization. Great leaders, like Lee Iococca of Chrysler, Louis Gestner of IBM and C. Michael Armstrong of AT&T to name the few, have transformed their organizations from dying dinosaurs to thriving enterprises. Whether the objective of an organization is to make profit or provide community service, effective leadership is an imperative for success. The undisputed reality of the contemporary business world is that leaders can make or break organizations. Although there are all kinds of organizations, they can be broadly classified into two major types: profit and non-profit. The purpose of this thesis is to focus on these two types of organisations in order to understand leaders’ behavioural patterns in these two fundamentally different organizations.

The distinction between profit and non-profit organizations lies in their primary motive to do business. On the one hand, a profit organisation aims to maximise profits while providing a product or service. On the other hand, a non-profit organisation aims to serve community or has other purposes that do not entail profit maximization or profit making. Thus, profit and non-profit organisations are fundamentally different from each other. A corollary is they require different leadership behaviours. To repeat the obvious, the success of these organisations depends on how they are led. Schwarzkopf\(^1\) highlights this point, “leadership is a combination of strategy and character. If you must be without one, be without strategy” (McKinsey and Company, 2003, p. 1).

The primary aim of this study is to explore some interesting and critical aspects concerning relationships between leadership behaviour and the type of organisation. Non-profit organizations, I believe, act as a counterforce to the domination of capitalist ideology based on free market system. The important role they play cannot be understated. By examining the interplay between the ideological, leadership and environmental forces, I hope this thesis will add value to existing knowledge of leadership behaviours and different types of organisations. Furthermore, this study derives heavily from the leadership literature in profit and non-profit sector.

\(^1\) Gen. H. Norman Schwarzkopf (see McKinsey and Company, 2003)
1.1. Research Problem and Purpose

Organizations cannot aspire to achieve their goals without leadership. In other words, leadership should be aligned with the objectives, industry context and mission of the organization. In order to do so, it is necessary to understand the dynamics of organizations. However, there are general characteristics in each type of sector differentiating them from each other.

The problem under investigation in this thesis concerns the extent to which leadership behaviours differ in profit and non-profit organisations due to the distinct characteristics of these organisations. The research process aims to analyse the following research questions:

1. Do the leadership behaviours differ from one organization to another?
2. What are the distinctive characteristics of profit and non-profit organisations that necessitates specific leadership behaviours?
3. How is the relationship between leaders and employees in profit and non-profit organisations?

As it is clear from the above research questions, the purpose of this study is to understand and discuss compatible leadership behaviours in profit and non-profit organizations.

1.2. Structure of the Thesis

This thesis consists of four chapters.

Chapter 1 presents the basis for this study as a point of departure. It contains the introduction and problem statement to provide a pre-understanding of the subject matter. Afterwards purpose, of the study is given and finally the synopsis of the thesis is presented to give overview.

Chapter 2 presents the methodology employed in this study and the process followed during the research process.

Chapter 3 presents the theoretical framework of the study and reviews the literature, which is specific to the study. First it gives the brief introduction to the profit and non-profit organisations/sectors. Then comparison is presented based on the synthesis of the literature to discuss the overall similarities and differences in these organisations. Afterwards it gives a brief discussion on leadership, comparison of leadership and management and different leadership approaches in which leadership behaviours are also discussed.
Finally, chapter 4 is composed of data analysis, findings and conclusion. In the analysis, empirical data is used and the research problem is discussed from different aspects. The findings section presents the main findings and results of the study.
2. METHODOLOGY

The purpose of this section is to explain the methodology used in the study. Since there are a number of methods available for gathering and analyzing data, the onus is on the researchers to choose the best method, which is more aligned with the research objectives of the subject. The methodological approach taken in this study is qualitative.

Qualitative research is widely used in leadership studies. The main reason for this is that there is tremendous and continuing complexity inherent in the leadership phenomenon itself (Conger, 1998). Still there is a need to study this phenomenon as it changes from situation to situation and time to time. This is powerfully reflected in the fact that after literally thousands of studies in the field of leadership, still there is a need to develop “a general theory of leadership that explains all aspects of the process adequately” (Yukl, 1994, p.19). Clearly, a consensus eludes the scholars and practitioners in the field.

Selection of the research problem normally depends on personal knowledge, interest and willingness of authors. Moreover, if a researcher involves him in the learning process, this would hopefully result in a better and comprehensive study. There are many different techniques, which may help during the research process. However, each study must be chosen in accordance with the nature of the subject.

In social sciences, qualitative data is usually used to investigate a study, however quantitative data can also be considered. In this thesis the focus is on the qualitative research methods rather than the quantitative research methods. It is because qualitative approaches give the opportunity to discover what really lies behind the phenomenon under study, than quantitative research techniques which are only helpful to test already existing theories (Strauss and Corbin 1990). Therefore, the grounded theory as the most appropriate qualitative approach, in the context of the study, is followed to achieve the desired goals of this thesis.

2.1. Grounded Theory

The grounded theory approach is defined as “a qualitative research method that uses a systematic set of procedures ... and inductivity derives grounded theory about a phenomenon” (Strauss and Corbin, 1990, p.24). This method explains the steps that can be followed while conducting a qualitative research in order to build a theory based on the data in hand. It “is one that is inductively derived from the study of the phenomenon it represents, (and it is based on) data collection, analysis,

2 The subject ‘he’ is used throughout the paper to represents the both ‘male and female’.
and theory (that) stand in reciprocal relationship with each other” (Strauss and Corbin 1990, p.23). It shows that through collection, elaboration, and interpretation of data, it is possible to get the findings with the help of this theory.

The purpose of this theory is to formulate a theoretical representation of a problem that is being analyzed. Since the purpose of grounded theory is, “to build (a) theory that is faithful to and illuminates the area under study” (Strauss and Corbin 1990, p.24).

Glaser and Strauss (1967) state that before starting data collection, data ordering and data analysis, it is important to generate a research question. It would be helpful for a researcher to select a research question before the process of data collection and analysis. If one does not know the specific research problem, it would be problematic for gathering reliable data.

### 2.2. Research Method

It is important to explain the research procedure and its techniques being used in the thesis so that the reader is aware of the scientific rigor of the study. Leadership behaviors in both profit and non-profit organizations are broadly discussed and analyzed from a comparative perspective. By filling in the void left by for profit and public sector, non-profit organizations contribute tremendously to the betterment of the society at large, and have been a subject of research for a long time. Consequently, a vast amount of secondary data is available for analysis. My personal engagement with the problem and understanding of the ideologies underpinning both sectors helped me to become theoretical sensitivity.

For simplicity, there is a need to define some important questions on which the analysis is based. It is important to employ the grounded theory by first forming the research questions. Normally in the beginning the research problem is very broad and then later it is narrowed down to the most important aspects. Taylor and Bogdan (1984) state, “in qualitative studies, researchers follow a flexible research design. They begin their studies with only vaguely formulated research questions” (p.5). Consequently, the study limitations are defined to narrow down the research problem. Strauss and Corbin (1990) state, “it is impossible for any investigator to cover all aspects of a problem” (p.37). Thus the selected research questions in the initial stage are continuously revised and adjusted by a researcher by considering the new sources, and understanding the problem.

Furthermore, Straus and Corbin (1990) suggest, creativity and theoretical sensitivity play an important role. Theoretical sensitivity is the ability to observe the variables and their relationships, as it can be affected by different factors such as reading literature. It is “[...] the attribute of having insight, the ability to give meaning to
data, the capacity to understand and the capability to separate the pertinent from that which is not” (Strauss and Corbin 1990, p.41). Theoretical sensitivity is also related to the personal qualities of the researcher one of them is creativity. Sensitivity substantially helps the researcher in order to obtain relevant information from a chunk of data. As theoretical sensitivity is “the ability to recognize what is important in data and to give it meaning” (Strauss and Corbin 1990, p.46), it plays an important role during explanation of theoretical framework.

Consequently, it is possible to say that the process of Grounded Theory is rather important for the data interpretation and making a conclusion on the basis of the available data. The vital coding steps of Grounded Theory are described as following.

According to grounded theory approach, the research should start with open coding, and it can be defined as “the process of breaking down, examining, comparing, conceptualising and categorising data” (Strauss and Corbin 1990, p.61). It is the part of the analysis, which is concerned with identifying, naming, categorizing, and explanation of the data. Essentially, the purpose of entire reading of each line, sentence or paragraph is to search the answers critically such as ‘what is it about’, ‘what it want to say’ etc. Afterwards, categories and sub-categories are connected to each other through axial coding.

Strauss and Corbin (1990), state that axial coding is “a set of procedures whereby data are put back together in new ways after open coding, by making connection between categories” (p.96). After the critical selection of the categories through open coding, axial coding helps for making connection between the selected items. Axial coding uses the data collection, “by making connections between a category and its sub-categories” (Strauss and Corbin, 1990, p.97).

The final step that Strauss and Corbin (1990) suggest entails integration, which is called selective coding. It is the “selection of a core category and the relating of all major categories both to it and to each other” (p.142). Hence, it is the process of choosing one category as a core category, and then it is related to all other categories. The main objective here is to develop a single story to collect all related issues together. It is the actual result of the theory; in other words, it is the interpretation of the definition of the analytical story and the core category. Core category is “the central phenomenon around which all the other categories are integrated” (p.116). Consequently, the final theory is formulated that is based on validity.

Grounded theory is the end result of the research. It is based on interpreting the data to understand the process of the domain under study. As “validating one’s theory against the data completes its grounding” (Strauss and Corbin, 1990, p.133). Therefore, it is better to say that the formulated theory is not only an explanation of a phenomenon rather it is the interpretation of the data explained in a scientific
2.3. Grounded Theory Approach in the Present Work

According to the major characteristics of the grounded theory approach presented previously, herein I show how they have been concretely implemented in this research. Figure 2.1 shows the process step-by-step, which summarizes the development of this thesis.

*Figure 2.1 steps to be followed in the development of the paper*

The deep personal attachment with the research theme increased my interest to a considerable level. Furthermore, I gained theoretical sensitivity by reviewing the existing literature. Through this process, I was able to see and listen, and not only to look and hear. From my point of view, the personal attachment makes an author more involved in the research, enlarging his capability to understand the data.

Initially in the data collection process reading of different books and articles relevant to the topic under study, provided interesting insights, and defined the starting point of the research. Consequently, I searched and gathered the specific data, which is more relevant in terms of parts and concepts to my selected research. Afterwards the collection of most appropriate material such as, books, journals and documents were instrumental in narrowing down the focus of research.
In the process of defining the research problem, study area was clear but the research problem was vague in the beginning. On the basis of the research problem, questions were formulated for better understanding of the problem. This gave the potential to study the relevant material and to look into this problem in reality. In order to get the practical insights to see how it is perceived in reality, rather just to emphasize the printed literature I decided to conduct interviews.

There are three types of interviews: structured, semi-structured and unstructured (Saunders et al, 2003). In semi-structured interviews “the researcher will have a list of themes and questions to be covered, although these may vary from interview to interview” (Saunders et al, 2003, p.246). However, I decided to have semi-structured interviews, because I think it is more appropriate for my research as it gives more insights on the research problem. Interview questions were prepared in advance keeping in mind the objectives of the study. Interviewees were informed in advance about the research area and questions, so they could provide in depth answers.

There were three semi-structured interviews in total. Interviews were conducted in the March 2005 in Kalmar, Sweden. One was conducted with Mr. Tomas Kinning, who is Advisor, Institutional Development Department in Swedish Red Cross, Kalmar and two with Mr. Staffan Skeppe, who is Key Account Manager in TeliaSonera, Kalmar, Sweden. It is because the research’s focus is on profit and non-profit organizations. That is why these interviewees were chosen, as one is representative of profit organization (TeliaSonera) and another is representative of non-profit organization (Swedish Red Cross). The interview questions can be found in the Appendix I.

To conclude, as I embarked on my intellectual journey I had different views on the subject. However, as I delved deeper in the research, I came to realize that reality is quite different. The methodology was quite beneficial and instrumental in my intellectual evolution, which is the main objective of this chapter, to provide the reader a roadmap of my intellectual journey.

Consequently, introducing the methodology used in this study allows me to examine relationships between leadership behavior and organizational types. Theories are the most important part of the research, which help the researcher to analyze the data in a scientific manner. Thus, the next chapter is based on theoretical framework, which helps to use the collected data for interpretation and conclusion of the study.
3. THEORETICAL FRAMEWORK

The major theories in the literature on a subject provide a platform to build a study. It is the lens through which a researcher sees the dominant paradigms in the field and their value to the field of a study. The literature concerning the study of leadership in profit and non-profit organisations is very broad without much consensus amongst the academics. However, my purpose is to reflect on literature and expand to the point aligned with the needs of this dissertation. Therefore, this section will present a review of the influential literature on the subject of the study.

3.1. ORGANIZATIONAL TYPES

Every organisation has different objectives and missions regardless of the industry in which it operates. However, it is better to categorize them in order for any fruitful comparison. Though there are a number of ways to categorize organizations, one of the most rudimentary is the distinction as profit and non-profit organisations, as mentioned earlier.

Hence, the primary differences between the two sectors, in terms of their philosophy and business approach are discussed later. This section contains the discussion of these sectors from a comparative perspective. Therefore, the purpose of this section is to provide a brief overview of these two sectors by explaining what actually they are. Consequently, aim is to give pre-understanding to the reader for further discussions.

3.1.1. Profit Organisations

The main objective of profit organisations is to make profits. The shareholders can distribute all the profits between themselves or they also can reinvest some of its part on the business (McNamara, 1999). To look at the definition profit organisation is “an institution, corporation, or other legal entity, which is organized for the profit or benefit of its shareholders or other owners” (NIH, 2005). It shows that in profit organisations, the distribution of profits depends on the owners. They could either share the dividends or invest for further business development.

3.1.2. Non-Profit Organisations

As the word “non-profit” reflects this type of organisation’s primary motive is not to make profits. Rather, it is to achieve various community goals to improve the
“quality of life”. It seems easy to define this sector in terms of its nature, purpose, governance, and distribution of its funding. However, it is quite a complicated task in reality. As Scott (1998) states, “the task of mapping the sector has proven quite complex” (in Ott, 2001, p.42). According to Salamon, (1999) it is also true that this sector has quite different features that it is difficult to define this sector as a whole (in Ott, 2001). However, it shows the complexity of defining this sector, but it is imperative to present views of different authors to have a general overview.

There are many definitions given in literature for the non-profit sector. According to Salamon (1999) non-profit organisations “are formally constituted, private, self governing, non-profit distributing, voluntary, and of public benefit. Together they comprise what we will call the non-profit sector” (in Ott 2001, p.166). The non-profit organizations work for the benefit of the general public and the primary motive is not to earn money. However, it is better to have a look at another definition of this sector in order to have a broad understanding. Hall (1987) defines the non-profit organization as, “a body of individuals who associate for any of three purposes: (1) to perform public tasks that have been delegated to them by the state; (2) to perform public tasks for which there is a demand that neither the state nor for-profit organizations are willing to fulfill; or (3) to influence the direction of policy in the state, the for-profit sector, or other non-profit organizations” (in Powell 1987, p. 3).

After having examined the definitions it is appropriate to say that non-profit organizations have overall public tasks as a motive. Services that are not provided by either the private sector or the government are provided by the non-profit organizations. These tasks are for the benefit of the general public, which these organizations do voluntarily with the aim of serving public. This characteristic is a distinguishing feature of the non-profit organizations from other sectors.

Nonprofits are usually tax-exempt organizations; this is because the motive of these organizations is to serve the community. In order to be eligible for the exemption these organizations have to meet the criteria set by the tax authorities. “An organisation is a non-profit if it meets criteria set forth in the tax laws and tax codes” (Ott, 2001, p.5-6). These organizations receive the exemption because the primary motive is not to make money but to serve. However, criteria depend on the state or country tax rules, how they legally treat or define the non-profit organizations for tax purposes.

However, sometimes the picture of the non-profit organizations that appears in our minds does not match with the so-called non-profit organizations. Since “some large non-profit health care (including many hospitals), insurance, financial services, and mutual benefit companies are not and do not begin to resemble-voluntary associations” (Ott, 2001, p.5). Consequently, these originally started as the voluntary organisations but afterwards make changes and gain characteristics of profit organisations. However, profit and non-profit organizations have both similarities and differences. In order to comprehend the core of the subject, given
below is a discussion, which compares these organizations from different aspects.

### 3.1.3. Comparison between Profit and Non-Profit Organisations

Non-profit organisations have some shared characteristics with profit organisations that are discussed herein. A discussion of these organisations gives some important insights and reveals similarities and differences between these organisations. This discussion is focused to make a comparison of these sectors from different aspects. I hope this discussion provides clear understanding and after reading, one can easily grasp the purposes and functions of these organizations.

#### 3.1.3.1. Goals

First of all it is the motive, which is the main difference between these organisations that shapes their behaviours in the business environment. In other words, it is organisations’ objectives that make key differences. These objectives reflect on the organisational behaviours, which turn the organisations to their specific goals. Organisational behaviour can be defined as, “the study of factors that affect how individuals and groups act in organisations and how organisations respond to their environments” (George and Jones 2005, p. 4). Consequently, it becomes easier to understand behaviours of leaders in these organisations.

Profit firms achieve their goals by selling the products in the market and accordingly generating profits. Another important characteristic of profit organisations is their dependence on the price mechanism that determines their profits or losses. On the other hand, non-profit organisations do not usually sell a product or service. Their only source of income is through donations, and other forms of grants and charity. This, however, does not mean that they do not face any competition or despise making profits. In order to generate funds, “nonprofits receive donations and conduct fund raising campaigns, unlike for profits” (Powell 1987, p.118).

Additionally, it can be assumed that profit organisations have profit maximization as a primary goal and from this assumption it is easy to derive the organisational behaviour of the profit enterprises. In contrast, non-profit organisations have multiple goals, such as “enrolment maximisation, medical demand maximisation, budget maximisation, service maximisation, quality/quantity maximisation, or expense preference maximisation” (Powell 1987, p.126). It makes the behaviour of non-profit organisations much more complicated to ascertain. Therefore, the prediction about the behaviour of the non-profit organisations can be obtained from these alternative assumptions and then can be compared with the profit organisations’ behaviour. Due to this behavioural difference in these organisations it
is only natural that they are led in a different way.

Besides, the main distinction between sectors as profit and non-profit, there are also some complexities within these sectors. The complications peculiar to the non-profit sector are discussed in the next section.

### 3.1.3.2. Complexity of the Non-Profit Sector

The non-profit sector is quite complex; therefore, the organisations in it can also be different from each other. It means that non-profit organisations cannot be viewed as a separate entity as one sector with the same characteristics due to the diversity of this sector. However, they have the common characteristics, which in total make them different from the profit sector. Moreover, it is not surprising that non-profit organisations also compete with each other to raise funds; on the other hand, they also have competition with the profit organisations. As Powell (1987) states, “the behaviour and performance of non-profit firms cannot properly be understood by looking at firms in isolation. Non-profit firms compete with one another in the ‘market’ for donations, membership, clients, and sales. The non-profit sector as a whole competes with the for-profit and government sectors in the markets for skilled labour, sales, and reduced (or zero) cost service provision” (p.118).

Furthermore, raising funds is very important for the successful functioning of non-profit organizations. Unlike profit organizations, non-profit organizations do not have a product or service. Their only source of money is through donations and other fund raising activities. Therefore, it is important to examine the fund raising strategies of non-profit organizations.

### 3.1.3.3. Fund Raising

Fund raising strategies of the two organizations are also different from each other. On the one hand, profit organizations raise their funds by using different debt instruments and also through the sales of goods and services. It is very different from the non-profit fund raising strategies. On the other hand, non-profit organizations use different strategies to raise their funds which are largely dependent of receiving donations. Powell (1987) states, “initial resources are obtained through grants and bequests, and continuing resources are obtained through gifts, grants, contributions, dues, and fees as well as sales” (p.121). An important question here is whether there is any variation between the firms within these two sectors, which is discussed in the next section.
Making profits or not making profits should not be the only parameter for comparing these sectors, as the nature of the businesses is different within these sectors. In profit sector one organisation may be hospital and another might be telecommunication business. Similarly in non-profit sector one organization may be hospital and another might be large insurance company or university.

Considering the case of non-profit organisations in comparison to profit organisations “formal internal structures are not as different as they appear” (Powell, 1987, p.121). Richard Steinberg summarizes the sources of funds being used by the major five non-profit industries and found some of them rely heavily on sales (Hansmann’s “commercial nonprofits”, 1980), whereas others rely heavily on donations (Hansmann’s “donative nonprofits” in Powell 1987, p.121). It shows that within the non-profit sector there is variation in terms of priorities and resource dependence.

However, despite the fact that these sectors are different from each other, it is important to consider the performance measurement of organisations and what is the planning process in these organisations. Is it similar in both organisations or not? It is discussed in the next section.

When considering the variations in these sectors, one is confronted with a dilemma in the non-profit sector. Thus, it cannot be generalized by only using one parameter for its evaluation. It can be said that non-profits should not based only on not making profits; as every business has different structure and strategy for example, performance measurement in these organisations. It is easy to measure the performance of profit organisations by analysing the net profits and returns on assets. Consequently, it becomes clear to observe how the business is performing as compared to the previous periods or to what direction business is going in making forecast. On the other hand, for the non-profit organisations it is difficult to measure performance. Non-profit organisations often provide services, which are difficult to measure such as education and health-care. However, without proper knowledge of the performance from previous periods, it is quite difficult to observe the progress of performance (Newman and Wallender, 1978).

Furthermore, according to Newman and Wallender (1978) planning process of non-profit organizations is basically similar to profit organizations. Scheduling policies, operating objectives, and setting goals can be accounted as examples for the planning process. However, there are also differences in the planning process for
non-profit organisations. Newman and Wallender (1978) state those differences as constraints. According to them, those constraints are (...) multiple goals, hard to measure results, intrusion of resource contributors, weak customer influence and professionalization (...)” (p.28). Due to these constraints it is difficult for the non-profit organizations to have a clear planning process.

Consequently, non-profit organisations have multiple goals, such as to increase the volunteers, increase the funds, and increase the services. Due to these different goals and various types of ‘customers’, it is difficult to measure performance. ‘Customers’ of non-profit organisations can be the donors such as individuals, corporations and governments. Moreover, there is less customer influence in the non-profit organisations due to the lack of direct feedback of the services, which are provided by non-profit organisations. As a result, these all parameters make the planning process of the non-profit organisations more difficult.

3.1.3.6. Need of Different Leadership

It is worth mentioning that making profits is not despised or regarded as unimportant in non-profit organizations. However, it is not as important as it is for profit organisations. Additionally, Ott (2001) describes the funding priorities of the non-profit organisations as “achieving other ends comes first. Revenues are resources, not the end purpose” (p.1). The organisational mission of the non-profit sector is to promote social values in order to achieve this mission. Herman and Heimovics (1991) state, “The reality for most non-profit organizations is that they are expected to promote many values and be accountable to many groups while furthering the organization’s mission”(p.34). Responsibility for accomplishing the organizational mission becomes a major issue for the non-profit organizations that is quite often led by the minority group who are organizational leaders.

Examining the differences between these organizations and the need for different leadership, Newman and Wallender (1978) ask, if there is a difference between these organization types, which would make the managerial (leadership) concepts inappropriate in the non-profit organizations that are appropriate in the profit organizations (in Bass, et al.1980). In other words, both organizations are complex in their nature and have altogether different motives. Therefore, one has to adapt to the requirements and environmental needs of these two organizations in order to lead it effectively.

The previous discussions about these two sectors show that there are similarities as well as differences between the two sectors. Therefore, the leadership behaviours of those organisations will need to differ accordingly from each other. The main difference between the sectors is introduced as the operational goals; their leaders will perform to achieve these goals. Thus, the differences in organisations necessitate the need for different leadership.
To see the differences in these organizations another study is conducted by Rushing (1974) for analysis between profit and non-profit hospitals and found significant differences in organizational relationships. This result supports the concept of organizational differences and these differences have influence on the intra-organisational variables. Newman and Wallender (1978) conclude that though the key tasks of managing (leading) and the arrangements for dealing these tasks are similar in all types of the organizations, there are additional constraints present such as, intangibility of the service output or the organization, and the existence of the multiple objectives, in the nonprofit organizations. Leaders must have to adjust these constraints while working in the nonprofit organizations.

Looking at these organizations, it is obvious that these are different from each other in terms of structure and purposes and needs to be led differently. On the other hand, it might cause problems for leading the organizations and may result in inefficiency. In this context, the contingency theories of leadership will help more to understand this phenomenon that the different situations in non-profit organizations would require different leadership behaviors to be effective (Bass et al, 1980). The contingency theories suggest that leadership behaviour should change with the situations. In other words, a leader should adapt to the situation at hand.

Contingency theory of leadership can be defined as, “the theory that leader effectiveness is determined by both the personal characteristics of leaders and by the situations in which leaders find themselves” (George and Jones, 2005, p.381). It suggests that leaders must match their behaviors to situations.

Thus, from the above discussion it can be established that leaders need to shape their behaviors according to different organizational situations. Otherwise leaders cannot be effective. Employees also play an equally important role in these organizations that help the leaders to achieve the organizational goals efficiently.

3.1.3.7. Employees

Looking at the differences in these organizations, a question comes to mind: whether the employees differ from each other? But why an employee should be different as an ‘employee is employee’. However, when examining these organizations, it becomes clear that one (profit) has paid employees and another (non-profit) has paid and voluntary. This difference of employee structure may also need difference of leadership abilities. The relationship between followers and leaders cannot be overemphasized (House and Mitchell, 1974), and leadership has been perceived as an interface between the goals of the followers and the leader (in Horner, 1997).

It means that the followers also play an important role in terms of helping the
leaders to lead them in the right way to achieve organizational goals successfully. It raises questions concerning the commitment of the employees of these organizations. Whether profit organizations’ employees or non-profit organizations’ employees are more committed. On the one hand, employees of profit organizations can be assumed to be more committed because they get paid for their work. On the other hand, non-profit employees who are paid may be more committed since they are working for the betterment of society. The inner motivation in this case is much higher. Additionally, voluntary employees who join organizations not for money or other extrinsic benefits but for social purposes are already committed to organizations and their tasks.

A study conducted by Goulet and Frank (2002) may be helpful to explore this question. Their research reveals that profit workers seem to be the most committed to their organizations than the non-profit organization employees. Furthermore, according to Drucker (1990), employees of profit companies are expected to have the lowest level of organizational commitment and those in the public sector expect to have the highest. Surprisingly, however, the findings by Goulet and Frank (2002) indicate exactly the opposite. These findings support the concept that the non-profit sector is distinctive, given the organizational commitment differences between non-profit employees and those of the other sectors.

Hence, it is difficult to generalize the results of the leadership between these sectors given their complexity and differences. It is “because the non-profit sector has some unique characteristics, we cannot necessarily generalize research results on corporate managers (leaders) to managers (leaders) in this sector. Non-profit organization’s missions, governance structures, funding sources, and reliance on volunteers create differences in their internal dynamic and external relationships” (Young et al. 1993, p.156).

To summarize, there are quite similarities as well as differences in these sectors. But the differences are quite strong, which urge the need of different leadership behaviours. Furthermore, it is also found that employees have more relation with the leaders, and it might be argued that they can make leaders efficient or inefficient. Thus there is a need to explore this relation more, and it is discussed in the following section.
3.1.4. Leadership in Profit and Non-profit Organizations

There are different studies, which analyze the differences and similarities of leadership with regard to profit and nonprofit organizations. Discussion regarding these studies is done in the following section, which is mainly based on leadership with relation to employees in profit and non-profit organizations.

3.1.4.1. Based on Employees

As already discussed considering the organizations, first thing that comes to mind is the difference in goals. Therefore, due to the inherent differences the work of leadership may also differ. The primary purpose of any establishment is manifested in the mission statement, which reflects the philosophy of any organization. Thus, it is natural that organisations are driven by the mission statements.

Bass, et al. (1980) conduct a study to compare leadership and situational characteristics between profit and non-profit organisations. They anticipate different leadership behaviours (e.g., directive vs. participative) in profit and non-profit organisations. They conclude that the non-profit employees have “(...) higher organisational constraints, order, political, and social influence, more routine tasks, more subordinate power (...)” (Bass et al.1980, p.336). Furthermore, non-profit organisations have more organised leader-follower relationships comparing to profit organisations. Non-profit organisations also have volunteers that increase the employee power in the sense they might have negotiations with leaders and have participatory role when making decisions. It can be argued that non-profit organisational leaders can lead better, as the employees/followers are already motivated and have organised relationships. However, Vroom-Yetton model postulates that in the organizations, “participation increases decision acceptance if it is not already high; and the more influence subordinates have, the more they will be motivated to implement a decision” (in Paul, 1998, p.209).

On the other hand, profit employees have “(...) more economic influences, more discretionary opportunities and managerial (leadership) activity in the accomplishment of their more complex tasks, more directive, negotiative, consultative and delegative leader behaviour, and higher levels of satisfaction with their supervision and job satisfaction than did non-profit participants (...)”(Bass et al.1980, p.336). It shows that profit firms seek to make money because of competition in the market economy there are financial pressures on the employees. Nevertheless, the employees have more options to fulfill their jobs as the jobs are more complicated and task oriented than in the non-profit employees. However, the employees are more satisfied with their jobs. It might be due to the given chances for growth in terms of both social and economic.
Mirvis and Hackett (1983) conduct a study by taking a sample of workers from non-profit sector such as; schools, hospitals, philanthropic and other tax-exempt organizations. They found that non-profit jobs provide more challenge, variety, satisfaction, and intrinsic rewards than the profit sector workers; even though for profit workers have better chances for promotion, have much better income than non-profit sector workers. It can be argued that because of satisfaction non-profit employees seem to be more committed to their jobs and organisations than profit sector employees.

However, Goulet and Frank (2002) conduct a study to explore the organisational commitment between the two sectors. They concluded that organisational commitment was higher in the profit organisation employees than the employees of non-profit organisations. This study reveals that profit employees are more committed than non-profit employees. Due to this high commitment of profit employees, it can be argued that profit organisations can have better performance than the non-profit organisations.

Looking for performance differences in these organisations a recent study conducted by Rosenau (2003), compared the hospitals (profit and non-profit) on four performance criteria: access, quality, cost or efficiency, and amount of charity care. The results show that non-profit hospitals have better performance than the profit hospitals. This result is in contrast to the findings by Goulet and Frank (2002). Also this research gives clear evidence that even though the employees in profit organisations are more committed (Goulet and Frank, 2002), when it comes to performance non-profit organisations are better. It also suggests that leadership in non-profit firms seems to be better than profit firms.

However, Bass, et al. (1980) state that there might be weak leadership in non-profit organisations. It suggests that non-profit organisations do not have good leadership as well. According to this school of thought, leadership does not play as important role in non-profit organizations as it does in for profit firms. I believe that there might be high standard of training for non-profit employees, which diminishes the need for leadership behaviour.

Wolvén (2004) compared the organizations from both sectors and found that in non-profit sector most of the leaders have leadership based on tradition comparing to profit sector. He also found that profit sector leaders have more charismatic leadership comparing to non-profit sector leaders. It might be because non-profit employees do not need charismatic leadership as the work is routine compared to profit employees, which is more complex (Bass, et al.1980).

However, Newman and Wallender (1978) also found that non-profit organizations have charismatic leadership. This ability of leadership is often used to provide
direction and priority among various goals in the non-profit organisations. They further assert that profit organizations also use benefit from charismatic leadership. It can be said that as the goals are clear in profit organizations compared to nonprofit organizations, it (charismatic leadership) is less prevalent compared to the non-profit organisations. Because in non-profit organisations goal is ambiguous so here ‘charismatic leadership’ plays a vital role.

Furthermore, Wolvén (2004) states that leadership in the profit sector is synonymous to authority and most of them are hereditary leaders. He finds more similarities of leadership between both sectors than the differences. It means that both sectors have similar leadership requirements. Eisenberg (1997) states that it might be because of the trends in non-profit organizations as they implement leadership practices chaotically of profit organizations.

Wolvén (2004) also states some differences in leadership between the two sectors. Non-profit leaders are more Y-oriented (participative) and have less Machiavellian traits than the leaders in the profit sector. It might be because non-profit leaders assume that the employees are more motivated, and have organized leader-follower relationship, which reduces the ambiguities and distrust. Horner (1997) states, “[…] to be motivated and dominated. Instead, everyone involved in the activity is assumed to play an active role in leadership” (p.278).

Overall the results from various studies presented above are mixed at best, as there is no clear evidence pertaining to the domination of one kind of leadership behavior in an organization. Although there are similarities between the leadership, at the same time some differences are also observed.

In the next section the term leadership and its definition is discussed from different perspectives. Then an overall discussion of leadership and management, which sheds the light on the similarities, and differences of both leadership and management. At the end leadership approaches are briefly discussed.
3.2. LEADERSHIP

Due to the complexity of businesses and tough competition in contemporary business world, need for effective leadership has increased tremendously. Every organization, whether profit or non-profit, to state the obvious, requires effective leaders to steer the organization through turbulent times and envision a future. Although there is tremendous research done on the topic, the researchers have yet to find a common platform to generalize it.

Leadership affects all facets of human enterprise. It is part of our everyday life and it has been since the origin of human beings in different forms. History points to those (leaders) who rose to the occasion to leading a nation, organizations or different critical events. Therefore, it can be said that a leadership study holds the entire human survival (Bass 1981).

Moreover, when one starts studying a subject, the first thought comes to mind is the definition. Due to inherent complexity of the topic there are numerous definitions in the literature without much agreement. As one of the authorities of this field, Stogdill (1974) after making a thorough literature review on ‘leadership’ concludes, “there are almost as many definitions of leadership as there are persons who have attempted to define the concept” (in Gregoire and Arendt 2004, p.395). Nevertheless, the concept of leadership remains ambiguous. Commenting on this view, Burns (1978) states that “leadership is one of the most observed and least understood phenomenon on earth” (in Bass 1981, p.5). Nevertheless, there is a need to define it in order to have a clear understanding.

Although there are many definitions of leadership, each definition has different focus on leadership. Due to limits of the research focus it is not plausible to define leadership from every aspect. However, it will be prudent to use the definition, which reflects and supports the undertaking. For this purpose, I choose definition that focuses on the behavior of the leader.

Leadership according to Hemphill and Coons (1957), is a “behavior of an individual...directing the activities of a group toward a shared goal” (in Gregoire and Arendt 2004, p.396). Therefore, it is just a behavior of the individuals (leaders), which motivates the group (followers) in achieving the particular goal, which is for the benefit of the whole group. Leadership thus, to oversimplify entails the “traits, qualities, and behaviors of a leader” (Horner 1997, p.270). Fiedler (1967) advances almost similar definition, as follows, “by leadership behavior we generally mean the particular acts in which a leader engages in the course of directing and coordinating the work of his group members. This may involve such acts as structuring the work relations, praising or criticizing group members, and showing consideration for their

Generally leadership is the, “the exercise of influence by one member of a group or organization over other members to help the group or organization achieve its goals” (George and Jones 2005, p.375). On a general level, leaders influence others (followers) for the fulfillment of the particular goals, which are beneficial for all of them. It shows that leadership is also dependent on the followers as leader guide them towards goal but followers play equally important role by putting effort in achieving the goals.

It can be deduced that leadership is a process that involves both leaders and followers. Here is another definition of leadership, which shows the importance of the followers for successful leadership. Lord and Maher (1993) state that leadership “involves behaviors, traits, characteristics, and outcomes produced by leaders as these elements are interpreted by followers” (in Andrews and Field 1998, p.128). It shows that leadership is a process of influencing where the leader inspires his followers in the accomplishment of organizational goals successfully. Leadership, however, cannot be reduced to the top management (CEOs) it is needed from all levels in the organization as from the first level managers to the top management (Gordon and Yukl, 2004). Therefore, in order to have effective leadership, it should be coordinated throughout the organisation.

For effective leadership it is also necessary for a leader to lead himself as well, as it is necessary to lead others, otherwise it is hard for him to have effective leadership in influencing the followers towards the particular goal. Since, “leadership is a psychodrama in which brilliant, lonely person must gain control of himself or herself as a precondition for controlling others” (Zaleznik, 1992, p.127).

When one thinks of leadership, management also comes to mind. It seems that these terms have some relation with each other. These words are mostly used interchangeably in the organizations. It is imperative to understand whether leadership and management are similar or different to each other. Further, in this thesis it is important to discuss this issue to make the difference clearly. The following section presents a discussion on management and leadership.

### 3.3. LEADERSHIP AND MANAGEMENT

Leadership and management are the concepts, which have similarities as well as differences with each other. The need for making the difference between these concepts actually started in the 1970s (Gregoire and Arendt 2004). Separation is important for this thesis, in order to have a clear concept of leadership. For this purpose a brief discussion is made comparing these terms.
Business executives at the same time have responsibility of leadership as well as management in the organizations. While considering the similarities between leadership and management, it can be seen that leadership process is similar to the management in several ways. Let us examine some of the resemblances between the two notions. Leadership requires followers, as without the followers there is no leadership, and management also requires people. Leadership is involved in achieving the shared goals, in management it also happens. In general, there are many similarities between management and leadership in different tasks (Northouse 2004).

A question that comes to mind is, if leadership is similar to management then there is no need for leadership, is not it? But leadership and management are not the same. In order to understand clearly one should know about management, not much but at least some of the key functions. Fayol (1916) identified the key functions of management, which include, “planning, organizing, staffing, and controlling” (in Northouse 2004, p.8). It means that it is just getting the job done and nothing else. Management according to Mintzberg (1975) and Zaleznik (1977) “is generally accepted to refer to a broad supervisory role, usually accountable for human assets, capital budgeting, work activities (in Strang 2004, p.14) and the functions, which are named above as, planning, organizing, staffing, and controlling.

However, other researchers (Koontz, O'Donnell, and Weihrich, 1980) suggest, “leading as a function within management, with management itself defined as being variations of planning, organizing, leading, controlling, and staffing” (in Strang 2004, p.14). It means that leadership is not separate but it is actually a component of management functions.

Management is about maintaining routine but leadership is focused on the motivation of the followers/subordinates (Strang, 2004). Hence, how leadership is part of management if management is just concerned with working on normal routine through the employees and has nothing to do with motivation. In order to further delve in the issue some of the researchers describe the managers and leaders as totally opposite to each other and have given several examples for explaining these differences. According to Bennis (1989), “the manager administers; the leader motivates, and ending with ‘manager does things right; the leader does the right thing” (in Strang 2004, p.14). Afterwards the Bennis and Nanus’s (1997) research confirmed, “Managers solve routine problems, but leaders identify problems to be solved” (in Strang 2004, p.14).

Furthermore Armandi, Oppedisano and Sherman (2003) emphasize this issue as people use the terms ‘leaders’ and ‘manager’ interchangeably but actually these are different from each other. They explain the difference in these words; “a manager is appointed by the organization and is given formal authority to direct the activity of
others in fulfilling organization goals (whereas) a leader is a person who influences others because they willingly do what he or she requests...a leader can be a manager, but a manager is not necessarily a leader” (p.1076). Therefore, the key point here is willingness and the influence, which leader possesses and it shows if a manager influences his employees it means he is also performing the role of leadership.

It means that no doubt there are some similarities between management and leadership but the differences are more prominent than the similarities. Hence, there is clear evidence that these are not same. Furthermore, it can be argued, that there might be some managers who are leaders and some leaders who are managers, but it does not mean that they are interchangeable. Researchers like Goleman (1998); Lombardo and McCall (1978); Verma and Wideman (1994); Yukl (1998) and Zaleznik (1977) hold the same view and according to them “leading and managing are not identical” (in Strang 2004, p.15). To support this argument, Kotter (1990) compared the functions of management with the functions of leadership and argues that, “the functions of the two are quite dissimilar” (in Northouse 2004, p.8). It is a strong argument in making a difference between management and leadership. Thus it can be said that though these have some similarities but it does not mean they are synonyms. To provide another view on the differences, Kotter (1990) asserts, “management controls people by pushing them in the right direction; leadership motivates them by satisfying basic human needs” (p.107).

While discussing management and leadership, I attempt to explore the similarities and differences between leadership and management. And I concur with the established standpoint in the field that leadership and management are different. Discussing this issue, whether the terms are similar or different, Zaleznik (1992) argues that, “business leaders have much more in common with artists than they do with managers” (p.126). It gave the clear idea about the difference.

It should be clear that despite these similarities, these are different terms, simply more differences than the similarities. Therefore, it shows that the comparison is a sort of mix and in leadership there will be some management characteristics and in management there will be some leadership characteristics. To clarify this confusion Yukl (1989) postulates that even though there is clear distinction between them “there is also a considerable amount of overlap” (in Northouse 2004, p.10).

Hence, managers when doing their tasks are involved in leadership and leaders while accomplishing their goals are involved in the management processes. Therefore, both need each other for doing best for the organization. Kotter (1990) argues this as, “both management and leadership are essential if an organization is to prosper” (in Northouse 2004, p.8). It shows that the balance of leadership and management is essential for organizational success. The following figure shows the balance of leadership traits, skills and management functions, which are necessary for organization to prosper.
I hope that after the above discussion, one can have a clear idea on the major differences between management and leadership. Now it is appropriate to go further and examine the different leadership approaches. The following section will briefly describe some of these approaches.

### 3.4. APPROACHES TO LEADERSHIP

Although there are many approaches to leadership, here I discuss only those which support the standpoint in this dissertation. Moreover, all approaches to leadership complement each other. These approaches are focused on different issues of leadership to find out how to become effective leader. Separately none of these approaches is perfect in the sense that separately these cannot provide a formula for becoming effective leader. In the following pages I briefly discuss the trait approaches, behavior approaches, situational/contingency approaches and power/influence approaches to leadership.

#### 3.4.1. The Trait Approach to Leadership

This approach aims to identify distinctive characteristics/qualities of the leaders from the followers. If a leader has superior qualities compared to followers, those qualities should be differentiated in order to identify. This assumption gave motivations to the researchers to work on it, and consequently these studies were named as trait theories of leadership (Bass, 1981; Armandi, Oppedisano and
Some of the earliest research on leadership was primarily focused on the trait approach dated back to the beginning of the 1900s (Gregoire and Arendt, 2004). This research was concerned with finding, what makes a great leader. The theories, which were developed, named as the ‘great man’ theories (Northouse, 2004). These theories were mainly focused on to find the superior qualities and characteristics of great leaders in different conditions. Afterwards leadership was associated with birth and it was believed that “(...) leaders were born not made (...)” (Bennis and Nanus, 2004, p. 5).

But in the middle of the 20th century it was challenged by the research, which raised questions about the universality of leadership traits. One of the pioneers of the leadership research Stogdill (1948) suggests that there is no set of traits, which clearly differentiates leaders from the common people (non-leaders) in different situations. Moreover, an individual having leadership traits is best in one situation but might not be in another situation (in Northouse, 2004). Referring to this early period in leadership research, Bennis and Nanus (2004) state “(...) great events made leaders of otherwise ordinary people (...)” (p. 5). It was argued that, it is the great event that makes a leader and differentiate him from ordinary people.

One of the recent researches on trait approach of leadership is done by Bryman (1992) who explains how traits can influence leadership (in Northouse, 2004). According to Lord, DeVader, and Alliger (1986) “personality traits were strongly associated with individual’s perceptions of leadership” (in Northouse, 2004, p.16). Similarly Kirkpatrick and Locke (1991) argue that leaders are actually different types of individuals from others in terms of many key dimensions (Northouse, 2004). The interest of traits approach is a continuous debate and there are researchers investigating new forms of this theory such as visionary and charismatic leadership (Northouse, 2004).

In short, in the beginning, this approach was aimed to find out the superior qualities of leaders that differentiate a leader from the non-leaders. Then afterwards it shifted its focus to ‘great leaders are born’ school of thought, and then to the mantra that different situations make leaders or in other words great events make leaders great and prominent. And recently it again shifted back to focus the role of traits, which make the leaders effective (Northouse, 2004).

In his first survey, Stogdill reviewed 124 trait studies done between 1904 and 1947. He found some important leadership traits that were related to the issue that how individuals in different groups became leaders. In other words, these were the different traits of effective leadership. His finding revealed that a leader is different from the non-leaders in the following ways such as intelligence, alertness to the needs of others, understanding the tasks, initiative for dealing with different
problems, persistency, have desire to accept the responsibility, self confidence and have interest in dominancy and control (Gregoire and Arendt, 2004).

The findings from the first survey reveal the general traits, which a leader commonly possesses. However, merely having these characteristics does not translate into successful leadership. To be effective a leader’s trait must match with the situations (Northouse, 2004). The key word here is adaptability to the situation at hand. As discussed earlier, being an effective leader in one situation does not mean being effective in other situations. It gives impetus to the new approach of leadership, which is concerned with the leadership behaviors and situations.

Stogdill’s second survey in which he reviewed 163 trait studies between 1948 and 1970 and compared the findings of the both surveys (survey 1 and 2). He found that second survey was more general in description of the roles of traits and leadership. While the first survey was just showing that leadership is just determined basically by just situational factors regardless of personal factors. The findings of the second survey showed that not just situational factors determine the leadership but both the personal and situational factors were the leadership determinants. Second survey supported the original trait idea that leader’s characteristics are certainly a part of leadership, regardless of any situation. (Northouse, 2004)

Similar to the first survey, second survey also found different leadership traits. These were characteristics such as strong drive for responsibility and task completion, vigor and persistence in pursuit of goals, use of originality in problem solving, strong drive to exercise initiative in social situations, self confidence and having a sense of personal identity, have strong willingness to accept consequences of decision and action, displayed readiness to absorb interpersonal stress, ability to tolerate frustration and delay, ability to influence other’s behavior, adaptability, high energy level, cooperation with others, and achievement oriented (Gregoire and Arendt, 2004).

To conclude, trait theories are concerned with the personal characteristics and have found different characteristics, which make the differences between leaders and non-leaders. However, it can be observed that different organizations also create different situations for the leaders and organizations can also have impact on the effectiveness of the leader. However, leaders have qualities, which are not easily undermined by the situations. Traits are the personal characteristics of the leaders, which are hard to change even, as “individual’s personal attributes are relatively stable and fixed, and therefore their traits are not amenable to change” (Northouse, 2004, p.33).
3.4.2. Behavioural Approaches to Leadership

The primary objective of this approach is to emphasize what leaders actually do in the job rather than just looking on the traits of the leaders. Most of well-known studies for this approach were conducted at Ohio State University and University of Michigan in the 1950s.

Research for this approach seems to be varied and diverse. The data seems to be based on the observation regarding the behavioral data. Results from both universities suggest, “leadership behavior could be categorized into two dimensions, one focusing on human interaction and the other on the job itself” (Gregoire and Arendt, 2004, p.396). In other words, first study focused on the employee’s feelings and second study focused on the tasks for the goal achievement (Armandi, Oppedisan and Sherman, 2003).

Some of The famous researchers from University of Michigan were, Katz, Maccoby and Morse (1950); Katz and Kahn (1952); Katz, et al (1951) and Likert (1961). They focused on the leadership behaviors from employee and job/task orientation point of views. In focusing towards employees they concentrated on categorizing the leadership behaviors as employee oriented and task oriented. Relationship or employee oriented leadership behaviors suggest that the leader should have focus on the concern for the followers/subordinates and have friendly relationship with them. Furthermore, leaders engage themselves to help in developing employees, keeping employees informed, and identifying and valuing the other’s contribution. From job or task achievement point of view, leadership behavior focuses on the performance and other technical aspects of the job. (Gregoire and Arendt, 2004)

Researchers from the Ohio State University were, Hemphill and Coons (1957), Fleishman (1953) and Halpin and Winer (1957). They suggested that leadership behavior consists of two dissimilar dimensions that are consideration and initiating. Consideration comprises the leadership behaviors, which show friendship with the subordinates, developing of mutual trust and respect, and reveal strong interpersonal relationships. Behaviors, on the other hand, are involved in the initiation, are the work to be done, performance expectations and the leader-follower relationship (Gregoire and Arendt, 2004).

Furthermore, they showed these findings as a grid with consideration (concern for people) on the vertical axis and initiation (concern for results) on the horizontal axis shown in the following figure.
Blake and Mouton (1964; 1978 and 1985) developed this work in a two-dimensional framework and named it “managerial grid”, but Blake and McCanse (1991) later changed it to “leadership grid” (in Gregoire and Arendt, 2004). They view the leadership behavior as a two dimensional grid, on the horizontal axis there is production concern (initiation) and on the vertical axis people concern (consideration). In the grid each axis has number as there are total 9 points on both axis, ranking the manager/leader from low (1) to high (9) in concern for both people and production (in Northouse, 2004). Overall, this behavioral approach of leadership suggests that the ideal leader is one who has high concern for both i.e. for the people and for the work to get the job done.

In addition, the behaviorists have consensus that participative behavior distinguishes the leaders from the non-leaders. As Yukl (1994) indicated that “leaders are distinguished by ‘participative’ behaviors, which include the delegation of authority and the avoidance of close supervision, setting expectations of high standards of performance, demonstrating interest and concern in their subordinates and facilitating participation in decision making ”(in Horner-Long and Schoneberg, 2002, p.612). It shows that the participation behavior is the distinctive quality of the leaders. Leaders using the participative behavior can make a difference.

On the other hand, leaders do not only have to rely on this behavior for achieving the tasks. There must be balance when applying this behavior and other behaviors such as ‘task oriented’. Task oriented behaviors include the characteristics like efficiency in resource allocation, the collection and distribution of the data for the
purpose of corporate planning and evaluation of the resources, and the ability for networking (Horner-Long and Schoneberg, 2002).

It can be said that participative behavior is the distinctive quality but it is not wise for a leader to rely on only this behavior. He must have to adopt task-oriented behavior, which helps the leader to get the desired outcome through the followers.

Additionally, the path-goal theory suggests that it is the leader's job to assist his employees in terms of providing them direction and support needed for the accomplishment of the organizational goals. As “effective leaders clarify the path to help their followers get from where they are to achieving their goals and making the journey easier by reducing roadblocks and pitfalls” (Armandi, Oppedisano and Sherman 2003, p.1078). Leader's job is to help the followers in the achievement of a certain goal.

Furthermore, in achieving these goals leaders have to shape their behaviors regarding different conditions. There are four types of leadership behaviors, which are identified by Robert House to motivate the employees includes: supportive, directive, achievement-oriented and participative behaviors (in George and Jones 2005). These are shown in the following figure and are briefly explained.

Figure 3.3: Path-Goal Theory (Robert House), explaining the leadership behaviors.  
Ref: web link: http://www.css.edu/users/dswenson/web/LEAD/path-goal.html
Supportive Behavior: It refers to “being friendly and approachable as a leader and includes attending to the well-being and human needs of subordinates” (Northouse 2004, p.126). Supportive leaders normally use their own way to lead the employees. They give respect and support to the employees to get the job done. They show to their employees that they care about employees and try to make them happy as they treat them equally without any discrimination.

Directive Behavior: It is similar to the ‘initiating structure’ concept, which is characterized in which employees are informed what task they have to perform and how it should be performed (George and Jones 2005). In fact it is the leader who gives clear instructions to his employees about the task, which includes, “what is expected of them, how it is to be done, and the time line for when it should be completed” (Northouse 2004, p.126). Every direction comes from the directive leader from start to the end, which sets the clear standards of performance to show the subordinates for achieving the goals.

Achievement-Oriented Behavior: Achievement-oriented leader “pushes subordinates to do their best. Such behavior includes setting difficult goals for followers, expecting high performance, and expressing confidence in their capabilities” (George and Jones 2005, p.387). This type of leader wants his employees to perform their work at the highest possible level. They set the goals of employees at optimal level and change the level continuously upon achieving goals successfully.

Participative Behavior: Participative leaders involve their employees in the decision making process (George and Jones 2005). Leaders encourage the employees to share their ideas in the decision making process. They consult their employees and get their opinions and use these suggestions in the decision making process.

3.4.3. Situational / Contingency Approaches to Leadership

The basic stance of the situational approach is that different situations need different kinds of leadership, and leader has to behave different according to the needs of the different situations to be effective. This theory was partly introduced to fill the gap, which trait and behavioral approaches could not fill. As the “traits and behaviors of effective leaders only partly explained why they were effective, because situational factors were ignored” (Gregoire and Arendt, 2004, p.396).

Situational approaches have two major sub divisions. On the one hand, situations influence the behavior of leaders. On the other hand, situations need to be identified to examine the relationship between situations and behaviors and effectiveness of a leader. The first is known as the ‘role theory’ which is primarily focused to the extent
to which the leadership role/work is the same or different across organizations and at different hierarchical levels. Here the focus is on the leader. On the other hand, the second component is known as ‘contingency theory/approach’. It is primarily focused on the extent to which different leadership behavioral patterns are effective in different situations. Here the focus is on the situations (Paul, 1998).

The contingency theory requires a leader to use a set of behaviors, which matches the organizational and environmental context. Theory is named as contingency because it tells us leadership effectiveness depends on how well the leader’s behavior is fit for the situation (Northouse, 2004). Therefore, it is essential to understand the situations as well as for understanding the effectiveness of the leaders. Effective leadership is contingent on matching the behavior of leader to the appropriate situation.

Most of the theories regarding situational approach were developed in 1970s. This approach was developed by Hersey and Blanchard (1969), originally named as ‘life cycle theory of leadership’, and latterly it is renamed as ‘situational leadership theory’ (in Paul, 1998). The theories, which were developed during 1970s, focused on both task and relationship oriented behaviors with the exception of one model, developed by Vroom-Yetton (1973). The basic assumption of the Vroom-Yetton model was “participation increases decision acceptance, if it is not already high. The more influence subordinates have, the more they will be motivated to implement a decision” (Paul, 1998, p.209). Therefore, it shows that shared decision making is far better, as it enhances the employees’ motivation and leader get more supports than the other decision making processes such as autocratic or consultation.

“The level of subordinate maturity determines the optimal level of leader behavior” (Paul, 1998, p.212). It means if the followers are becoming more and more mature (responsible or motivate), the leader’s roles such as relational and behavioral will decrease, as leader have more confidence on the followers.

Situational leadership approach stresses that “leadership is composed of both a directive and a supportive dimension” (Northouse, 2004, p.87), and leaders have to apply each of the dimension appropriately depending on the situation to be effective. Moreover, a leader must assess his follower’s competency and commitment regarding a given task. Furthermore, based on the assumption that there is a variation of skills and motivation of the employees time to time, situational leaders should have to adjust themselves in their directive or supportive behaviors to meet the changing demands of the employees (Northouse, 2004).

The situational leadership needs that a leader has to be appropriate his behavior regarding to the commitments and competences of the employees. However, a leader is effective only if he recognizes the needs of the employees and change himself according to their needs.
Furthermore, this theory suggests that it would not be wise to have more emphasis on the leader’s personal attributes, which “(...) may underestimate the unique requirements of each organizational setting and life-stage” (Horner-Long and Schoneberg, 2002, p.613). Researchers argue that there is no such a generic or one leadership behavior, which could be appropriate for every situation. The early assumption was that leadership requires leaders to use proper behavior according to the need of the situation for performing effectively (Horner-Long and Schoneberg, 2002).

3.4.4. Power / Influence Approaches To Leadership

Leadership also entails influencing others. The power concept has relation with the leadership because it is a part of the influential process. Northouse (2004) defines power as “the capacity or potential to influence” (p.6). Thus, it can be said that if leaders have power, they have the strong ability to influence other’s beliefs, attitudes and the courses of actions. In organizations the individuals normally have two types of powers one is ‘positional power’ and another is ‘personal power’ (Northouse 2004). Positional power is related to the formal rank in the organization and personal power is the “power a leader derives from followers” (Northouse, 2004, p.6). It means that when the leaders act in such a way, which is important for the subordinates / followers, it gives power to the leaders or simply ‘personal power’.

The power/influence approaches to leadership tries to explain the same phenomenon of the effectiveness of leadership “in terms of the type and amount of power held by someone in a leadership position and the influence a leader exerts over others” (Gregoire and Arendt, 2004, p.396).

The most widely referred research on power is by the researchers French and Raven (1959) who assert: The basis of social power thereby, forming the basis for research on power leadership. In their work they conceptualized the power from double relationship, which includes the persons influencing others and the persons, which are being influenced. They identified the five general and major types of power; reward, coercive, legitimate, referent, and expert (in Northouse, 2004). Each of the characteristics identified increases the leader’s capacity for influencing others in terms of their values, attitudes, and behaviors.

Overall, the studies such as French and Raven (1959); Pettigrew (1972); and Cartwright (1965) identified several types of power leadership including; reward, legitimate, coercive, expert, referent, ecological control and information control (in Gregoire and Arendt, 2004). These studies advance that these are the forms of different powers, which are commonly found in the leaders who have power influence on others.
According to these studies, leaders have some common characteristics, to be precise; all leaders have the urge to dominate the others. It means that leaders use the dominancy power as a tool for the accomplishment of their own goals. However, opposing this view, Burns (1978) states the power from the relationship perspective. For Burns, power should not be the entity which leaders use for achieving their own goals but it should be relationship oriented between the leader and the followers for the achievement of their shared goals (in Northouse, 2004).

More recent research by Yukl and Falbe (1990); Yukl, Lepsinger and Lucia (1992); and Yukl and Tracey (1992) are focused on the tactics which leaders use to influence subordinates, peers and superiors. Leaders often use these tactics to influence others persuasion, consultation, ingratiation, and coalition building (in Gregoire and Arendt, 2004).

All the different approaches on leadership mentioned above enhance our understanding of the notion of leadership as well as the real tasks of a leader. However it also highlights the fact that leadership cannot be reduced to traits, situations or any other characterizations.
4. **DATA ANALYSIS**

The main objective of this chapter is to analyze the data to find an answer to the research problem that is being investigated in this study. The analysis is employed according to the interviews conducted with the representatives from each sector. With the help of theoretical framework the analysis is based to find the concrete answers to the research problem. The intent is that data itself speaks so clearly that the hidden biases of a researcher are revealed. This chapter concludes with findings and personal reflections on the topic.

Different issues related to leadership in the organizations are appeared during the analysis. However, overall leadership, decision-making process, employees and organizational structure are focused on.

**4.1. Leadership**

Interviewee from non-profit organization states that, “Today we talk more about leadership in different situations”. It shows the importance of ‘situational leadership’ or contingency approach. Contingency theories suggest that different situations in the organizations need different set of traits, skills and behaviors of leaders. However, profit and non-profit organizations are also pose different situations for the leaders.

What kind of different leadership behaviors are used in these organizations, whether leaders use single behavior or different set of behaviors according to the needs of the situation? However situations can be different within an organization and from organization to organization. When one thinks within the organization, it means leaders use different behaviors within the organization because of different situations. On the other hand, the behaviors can be different from profit to non-profit organization. When talk about within the organization, I use the word ‘intra-organizational’ and when talking between profit and non-profit organization, I use the word ‘inter-organizational’.

Bass at el, (1980), assert that for the non-profit organization the intra-organizational situations would require different leadership behaviors to be effective. Furthermore, Gordon and Yukl, (2004) state that leaders need to shape their behavior according to the situation. It can be argued that due to the inter-organizational situational

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3 Based on the interviews.
4 During the data analysis, I use the representative or respondent or interviewee from profit or non-profit organisation rather than using the name of the person in order to avoid the complexity for the reader and for better understanding.
difference; there is also a difference of leadership behaviors.

Furthermore, it is also imperative to find how the leaders behave in these organizations. On this issue, interviewee from the profit organization states that “I have a team working under me but the organization has a national structure and not the local, all directions come from the CEO, from the head office”. It can be deduced that leaders in profit organization use directive behavior. Here the top management makes the decisions and then they delegate it to the subordinates. In the directive behavior, leader gives clear instructions to his employees about the task, which includes, “what is expected of them, how it is to be done, and the time line for when it should be completed” (Northouse, 2004, p.126). It happens in the profit organization as the subordinates get the detail of every step to be followed.

Explaining the participative and directive behavior interviewee from profit organization says, “Employees are mostly empowered to make decisions at certain level. They have a huge responsibility on their own. But there is a leader...mostly you (employee) ask (to the leader) if it is ok to do so, but they (employees) make the quick decisions themselves when the situation necessitates that”. Due to the intra-organizational situational differences in profit organization leaders also use participative behavior while having directive behavior. In the participative behavior usually leaders involve their employees in the decision making process. Leader encourages his employees to make decisions to certain extent with the help of their leader.

A corollary is in the profit organization due to the quick changes in the market employees are empowered to certain extent for the decisions and it shows delegation from the top management. But for the non-profit organization they mostly involve their employees (participation). However, it is for the long term planning and not for all decisions. For example, in emergency situations as they are working for the society anything can happen. In such situations, it is the top management that makes decisions as the interviewee states, “I would say in that situation (some disaster like tsunami) it is very hierarchical. It needs to be, it has to be and you (leader) cannot start to discuss with everyone”. Thus the situations make a difference in intra-organizational leader’s behavior. In the non-profit organization leaders usually have participative behavior but because of quick decision-making they change it. Contingency theory also requires a leader to use a set of behaviors, which matches the organizational and environmental context. If a leader does not change him according to the situation it would be problematic and results in inefficient leadership.

In profit organization leaders use participative behavior for making decisions but employees have to do their job on their own. From this assumption it can be said that profit leaders have also achievement-oriented behavior as they set the goals and limits and within that the employees are allowed to make their own decisions. They use participation behavior but at different levels (hierarchies) as interviewee says,
“We have participation system at both levels high and low, and all the people in the company participate when the goals are setting up. Everyone in our company have the possibility to react all these in different teams and groups”. This comes from active participation to the decision making process. Vroom-Yetton model explains this as “participation increases decision acceptance, if it is not already high. The more influence subordinates have, the more they will be motivated to implement a decision” (Paul, 1998, p.209). It shows that due to the employee participation in the decision making process it enhances the employees’ motivation and consequently leader gets more support from his subordinates.

Discussing the leadership in the non-profit organization, the interviewee from the non-profit organization states, “I would say it is more oriented towards participation”. Furthermore, he explains the participation more in the sense of leaders involve the employees and engage the volunteers in carrying out the tasks. It is because, “one of the pillars of the organization is democracy”. Due to the democracy principle, leaders involve everyone in decision-making process. Hence ‘participative behavior’ is common in both the organizations, however in non-profit organization leaders are more oriented towards this behavior than profit organization leaders. In other words non-profit leader use more participative behavior than profit leader.

Briefing the overall qualities of a leader which a leader must posses both leaders suggest different qualities. Interviewee from non-profit organization emphasizes on trust as he says, “trust is very important. One important thing is the approach, to keep that the possibility to keep what they (employees) can do it in their own way, you (leader) do not have to show them (employees), let them show, and then you (leader) make them to grow steadily, you (leader) have to take a step backward, in order to show trust and build relationships”. For leadership trust is very important, which a leader have on his followers and followers also have on the leader. Bennis and Nanus (2004) state that trust is “the emotional glue that binds followers and leaders together” (p.142).

The interviewee from profit organization states, “Perhaps it is communication. When you get the right feeling in the team, you have the right spirit and you have very clear goals, and there is no ambiguity between you and the employees then you have an efficient organization. I think everyone goes in the same direction and they like what they are doing if you reach that as a leader then you have a very strong company”.

However, non-profit interviewee emphasizes the communication and energy of the leader towards the tasks as the, “basic element is the communication—that’s the whole thing. You must have the ability to communicate. You have to have energy to have an energetic workforce. Because there are lots of people that take energy, you have to be the person that gives energy. That’s basically your role as a leader in the organization to generate energy in the organization, to see the people of the
organization moving, moving and moving towards the set goals”.

Leaders are required to have the ability to communicate in two-ways that is to say from bottom to top or top to bottom. Thus, both of the leaders focus on the communication factors. This factor is described by Bennis and Nanus (2004) as a very essential process in an organisation to be successful as “communication creates meaning for people” (p.40). Hence, it is one of the most important elements, which a leader must have to consider and focus in order to get overall benefits.

Furthermore, the nonprofit interviewee explains that leader should also be sensitive. He strongly emphasizes on the importance of being sensitive to be able to have the empathy. Empathy is the ability, according to him, to be aware of the feelings of employees in any situations. Moreover, taking criticism as a leader gives the confidence to employees since those leaders open themselves to their employees in order to create trust. Consequently he states, “you are the model actually, because you set the limits.” This reflects the importance of emotional intelligence skills in a leader.

Overall, respondents mentioned some of the behaviors, which leaders must have to keep the employees motivated and these make it easier for the leader to keep the followers focused on the goals. These leadership qualities or ‘essentials’ include vision, trust, communication and sensitivity. These important elements are crucial to successful leadership regardless of the type of organization.

However, the data shows that due to inter or intra-organizational situational differences leaders need to adopt accordingly. Also non-profit leaders are more participative and profit leaders are less oriented towards participative behavior and more towards the directive behavior. Moreover profit leaders are inclined to some extent towards the task-oriented behavior as well.

4.2. Decision Making

When it comes to decision- making in these organizations the Interviewee from non-profit organization states, “decision-making is very consensus oriented. There are two lines, employees and the volunteers. From the volunteers there are board members who take the decision and we (staff) are just supporting them”. It shows ‘participative’ as leaders who involve all the members in the decision- making process.

It can be inferred that due to various employees in the non-profit organization, they have to involve all related parties in the decision-making processes. Elaborating these different types of employee structure, the interviewee from the non-profit
organization postulates that “we are different, it is like fridge there are bananas and also apples”. Leaders in this organization employ participative leadership in order to involve everyone in the decision making process.

Because of market changes the decision-making process in the profit organization is quicker as the interviewee from profit organization explains, “The decision-making is very quick, in a case if (leader) work close to the customers he cannot go back many times to ask people (employees). Leaders have to give the customers quick response, which is an important thing”. He further explains the decision-making process as, “Leaders in our company meet each other and make decision, and then they give (lower management) the market situation and give employees some proposals, which say what leaders think to become solid company in future”.

In the profit organization decision making is participative but usually the decisions are made by the top management and then they give the directions to the subordinates to follow and if they (employees) have anything to ask they can ask, but leaders give usually directions towards the tasks. The interviewee explains this as, “decisions come from the higher level and then again teams in the local centers they pick and make decisions”. Or in other words, at each level it is participatory but if one sees from higher level, it comes from higher to lower. The direction mostly comes from the top level but it can be two ways as from lower level in terms of the market feedback. It clearly reflects the divergent views on leadership found in both organizations.

From the data it is found that overall decision-making process in both organizations is different from each other. In non-profit organization decision-making is more participatory while in the profit organization it is inclined towards the directive and participatory to some extent. It shows that participatory role of the leaders of profit and non-profit organization is similar but not same in usage. I mean participatory role is similar but it is more used in non-profit organization than profit organization. To explain this similarity however, it is said that leadership in profits and nonprofits is becoming more similar (Schweitzer, 1998). However, Delibero, executive director of New Jersey Transit Corporation, Newark, and chair elect of the American Public Transit Association (APTA), Washington, D.C. (see Schweitzer, 1998) reflects on the process of decision making as, “in a corporation (for profit), it’s a lot easier; you (leader) are the one at the top who sets direction. In an association (non-profit) it’s very different; you (leader) have lots of folks who pay their membership dues and who have a lot to say. It’s a much more participatory role” (Schweitzer, 1998, p.32).

### 4.3. Organizational Structure

When talking about these organizations questions arise such as what kind of structure they have for decision-making process. The interviewee from the profit

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5Shirley DeLibero, executive director of New Jersey Transit Corporation, Newark, and chair elect of the American Public Transit Association (APTA), Washington, D.C. (see Schweitzer, 1998)
organization states that “we have a very flat organization and we try to reduce the number of hierarchies”. Before explaining its possibilities in flat organization, it is also important to mention that in pyramid organizations, participative behavior may be less practiced by the leaders. However, the prevalent leadership behavior can be more directive. Furthermore, discussing the profit organization, it is assumed that participative behavior is practiced in these organizations because of flat organization. It further shows the similarity of the participative behavior in profit and non-profit organizations. Another study by Wolvén (2004) also results in more similarities of leadership between both sectors than the differences.

In non-profit organizations, they may have hierarchy even though the employees are quite empowered. Interviewee states “hierarchy is in the terms of responsibility and not in the sense of usual business firms, as we try to be on equal level”. He also explains that volunteers could be high educated more than the leaders, which gives an additional task to the leader. His (leader’s) task, according to interviewee, is “to support them, so that the organization can get benefit from them as much as possible”.

Furthermore, information given by the interviewee it can be said that supportive behavior can also be practiced in order to gain benefits for the organization. Leaders show more supportive behavior while involving the subordinates for doing job and try to make them feel friendly behavior in order to show them respect. Supportive behavior refers to “being friendly and approachable as a leader and includes attending to the well-being and human needs of subordinates” (Northouse 2004, p.126).

From the data in this section it is found that due to flat organizational structure it can be deduced that in profit organization leaders use participatory role. However in the non-profit organization leaders use hierarchy system for responsibility and they emphasize on support the employees. Thus the profit leaders are inclined towards the participation while the non-profit leaders towards the supportive role.

4.4. Employees

Due to the differences of the employee structure in profit and non-profit organization, there is need to discuss the employee issue. It is because the employee structure also affects the behaviors of the leaders.

Interviewee from the non-profit organization explains “the top manager (leader) delegates to his subordinates for the accomplishment of the organizational tasks.” Employees are empowered in certain framework to work on their own. Leaders on the other hand only support them for the continuity and track their progress. It shows that the leader gives the employees independence to do their own work. Thus,
employees feel more confident as the leaders have trust in them that they can fulfill their duties. Trust is the most important factor, which keeps together the leaders and followers and helps both for goal achievement. But for making sure leaders have to make the followers ready to face the challenges for doing the job and make all the process easier for the employees, so they can fulfill their duties in a good way.

Due to the high competition in the market economy the need for employee motivation becomes important, in order to react quickly according to market needs. The Interviewee from profit organization states “I think the main question for us today is to get everyone step on their toes and be ready to understand how we compete and what is very important for us and what’s the main goal”. Thus, motivation is one of the most important elements in the organization, which leaders have to achieve this sense at a holistic level. However the question here is how they motivate their employees and how the leaders perceive their followers in these organizations as motivated or not motivated.

Talking about motivation as whether the employees in the non-profit organization are motivated or not, the interviewee suggests, “When we make a questionnaire and ask volunteers why did they (volunteers) joined our organization? Same answer most of the times, they want to do well, they want to do something good for the society, they want to socialize, they want to meet new people, they want to learn something new because there is a possibility to learn new skills”. It shows that the volunteers in the nonprofit organization are already motivated otherwise they will not join, as they are not getting paid. Consequently the motivation of the employees changes the leader’s behavior. When the employees are already motivated it needs from leaders to support them towards the tasks. However it is assumed that the due to the motivated employees leaders use supportive behavior in non-profit organization.

On the other hand, the employees in profit organizations are paid, what makes leaders’ motivation task difficult as it is explained by the interviewee “leaders in the organization try to motivate the employees. They do not expect them (employees) to be motivated, and that the leader’s challenge, to try to get them motivated. It is a big job to motivate the employees all the time and to direct towards the goals (to the employees) all the time”. Leaders in profit organization do not feel that the employees are motivated, it also changes their behavior and consequently they direct their employees towards the goal.

However, the interviewee from the non-profit organization says, “I think it is good to work in an organization like Red Cross, it is special, when you tell people you work in Red Cross and when you travel we feel something very important”. It shows that the employees are working for the society and they feel good while working for the society. It is the specificity of the job what makes them to feel well accordingly gives them motivation. Therefore, it can be said that employees in the non-profit organization feel proud and committed towards their work as well as the organization.
Consequently in the profit organization there is a need to motivate employees in order to get efficient and successful results. Profit organization performs it through “possibility with salary, and have a bonus system and following their work, give them feedback all the time, whether it (feedback) is good or bad, both are very important”. Also the interviewee suggests that it is also hard to motivate the employees and keep trust between each other. Furthermore, they may have to change their behaviors. Interviewee says, “I think it is not every time you can say, you have done a good job some times you have to be harsh, or push them”. Here leaders again need to change their behaviors according to the intra-organizational situations in order to be efficient.

Motivation is not a concern of only profit organizations but non-profit leaders also have to deal with this problem of motivating the employees, even though if they think employees are motivated. It is because they have to keep motivated employees all the time and it seems it is only valid for profit employees. However, the non-profit interviewee explains this, “in a non-profit organization, you would have the same problems as in any other organization, and it is same thing”. Furthermore, regarding the vision of a leader he asserts “it comes from yourself, I mean you as a leader need each employee, and you need to have his plan, his budget. But you are going to see the whole picture, the whole thing this is what we are going to accomplish this year. And for you as a leader, it is very important, whether you are working with volunteers or employed staff you have to be the one who is showing the whole picture of what we are going to accomplish this year”.

He emphasizes on the vision-creating task of leaders in order to lead them in keep motivated. The whole phase of the vision needs to be defined by leaders to followers in order to motivate them towards the organizational goals. Bennis and Nanus (2004) described vision as, “a target that beckons” (p.82). A vision always refers to future, which presently not seen and never existed before (Bennis and Nanus, 2004). By having a vision, a leader transforms all important assets from present to the future of the organization.

The interviewee from the profit organization states that to involve employees more actively with tasks they (leaders) build small teams. He continues, “then we have the possibility to get good atmosphere and to know each other and the employees got the fighting spirit in a group, competition and fighting for recognition”. And they think it is very healthy for the organization to have maximum employee effort for the organization. Consequently when leaders involve the employees and work as a team. The followers become more responsible and feel competition in positive terms. It means if the followers are becoming more and more mature (responsible or motivate). Thus it helps the leader to decrease his role and let employees do their work, as leader has more confidence (trust) on them.
Interviewee from profit organization further explains the de-motivation of employees in these words, “But I think because the company is going to reduce the employees to cut the cost every time, may be it can de-motivate the employee”. However, in the non-profit organization, employees are usually motivated and leaders have to make less effort to motivate towards tasks. Explaining this issue the interviewee from the non-profit organization says, “working as volunteer it is very rewarding intrinsically, you get very devoted”.

Profit organizations have customers to whom they sell their products but non-profit organizations have their customers who give them funds and their product is to serve. Remarking about non-profit product the interviewee explains, “our product is what to serve, the volunteers deliver, and we have the responsibility. There is lot of things behind volunteers as well as the product. Volunteers have to be at the front line”. Discussing the volunteers, regarding to give them recognition as a matter of motivation Campbell6 states, “no matter what, people must feel included. Volunteers should be showcased, and particularly the paid staff should recognize that it is the volunteers who need to be out front, getting credit, doing things, and making sure they feel like an important part of what is going on” (Schweitzer, 1998, p.35).

From the data it is derived that employees’ performance has strong relation with the leadership behaviors. In other words, as the employees reflect the leadership of the organization. If leaders perform well and take into account the needs of employees, the employees are likely to be efficient as well. It also requires leaders to change their behavior depending on employees’ motivational state. Simply put, whatever the situation of the employees, it provides leaders an opportunity to learn and then act accordingly.

Here in the discussion it is found that in the non-profit organization employees are usually more motivated than the profit organization employees. Due to motivated employees non-profit leaders trust them and it results in supportive behavior. On the other hand in profit organization leaders do not trust their employees that they are motivated and try to motivate with different strategies. Due to the feeling that employees are not motivated in profit organization leaders use directions for employees to follow them. Simply in profit organization due to employee de-motivation leaders use directive behavior. Consequently in non-profit organization leaders support their employees and in profit organization leaders direct their employees. Furthermore, considering the Leadership Grid (Figure 3.2), it is easy to see that the non-profit leaders tend to emphasize and focus on the ‘concern for people’ and the profit leaders have ‘concern for production’. Consequently, their orientation toward the different concerns for the employees change their behaviors.

Needless to say employees are very important for the leader. Without the motivated

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6Phyllis Campbell, president of Seattle-based U.S. Bank, Washington, past chair of the Greater Seattle Chamber of Commerce, and chair of United Way, King County (see Schweitzer, 1998).
employees leaders cannot get the desired results, which are necessary in today’s brutally competitive environment. Consequently, leaders aim to motivate the employees to increase the efficiency and productivity of their organizations that may translate into higher profits and increased shareholders’ wealth.
5. FINDINGS AND CONCLUSION

The purpose of this study is to study the compatible leadership behaviors in profit and non-profit organization. On the basis of data analysis, it is found that in non-profit organization leaders use more participative and supportive behaviors while in the profit organization leaders use more directive and less participative behaviors. Less participatory role in profit organization in the sense it is less practiced in profit organization compared to non-profit organization. Overall, it will be fine to say that the main distinction is the emphasis on supportive and participative in non-profit compared to directive and less participative behavior in profit organization.

In conclusion, the most similar behavior in profit and non-profit organization is the participatory role of the leader though it is less prevalent in profit than the non-profit organization. However, the main difference in behavior is directive versus supportive in profit and nonprofit organizations respectively. It is because the employee structure in non-profit is different and also employee motivation is different. Employees in non-profit organizations have more intrinsic motivation and needs as compared to their counterparts in the profit organizations. As the research on motivational needs and leadership in both sectors is inconclusive, the only thing that could be said with certainty is that to motivate and lead in both types of organizations is equally difficult.

I believe inter-organizational situational factors are important factors for the changes of leadership behaviors. Consequently, these factors have direct impact on the employees that changes the employee behaviors (motivation). However, employee is the most important factor for the variance of leader’s behaviors. Simply inter-organizational differences influence employee behavior (motivation) and employees on leader’s behavior. That is to say inter-organizational differences have indirect impact on the leadership behaviors through the employees (intra-organizational). Keeping these factors in mind, leaders need to change their behaviors. Furthermore, it is not only a matter of changing behaviors. Leaders must also understand the ideological and philosophic foundations of both organizations to devise a strategy that is aligned with the objectives of these organizations in order to lead them effectively.
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APPENDIX I

The Questions of the Interview
Questions Asked During Interview

1. How would you describe your leadership/management approach? What is your philosophy of leading people in your organisation?
2. How do you motivate your employees?
3. How do you create a healthier and more productive environment in the organization?
4. How do you solve the dilemma of keeping your organisation in good financial condition in a competitive market economy, and yet being able to provide the social services? (Only for non-profit)
5. Was there any situation when you had to compromise your values to get the desired outcome?
6. How do you make decisions in your organisation?
7. What are the major challenges confronting your organisation these days?
8. Please share some of your learning experiences with me and any lessons that you would offer me as a student?