

# Leadership and motivation

## Bachelor Thesis Organization & Strategy

How leadership-styles contribute to employees' intrinsic and extrinsic motivation



*“Leadership is the art of getting someone else to do something you want done because he wants to do it.”*

- Dwight D. Eisenhower

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## Management Summary

A motivated workforce is essential for the success of today's organizations. Effective leaders should therefore be able to motivate their subordinates. How different leadership-styles contribute to employees' intrinsic and extrinsic motivation is the main subject of this thesis.

The two leadership-styles distinguished in this thesis are transactional and transformational leadership.

Transactional leadership can be seen as an imposed or agreed contract between a leader and his or her followers; these followers make an effort in exchange for a reward or the avoidance of punishment. As compared with transactional leadership, a transformational leader places more emphasis on the process of the creation of involvement. These leaders also attempt to encourage extra effort by trust and commitment and are more likely to inspire and motivate their subordinates.

These leadership-styles are combined with two types of motivation, namely intrinsic and extrinsic motivation. Intrinsic motivation is internally driven and therefore, certain task characteristics are important in the sense that employees must perceive the work content as being satisfactory and fulfilling. Extrinsic motivation is externally driven and the focus is on the outcome of the activity for the task-worker himself. The outcome could be a reward or the avoidance of punishment.

The most effective combinations seem to be transactional leadership related to extrinsic motivation and transformational leadership in combination with intrinsic motivation. This is due to the following overlap in characteristics:

- There is a strong fit between transactional leadership and extrinsic motivation since both concepts focus on external aspects and the short term;
- Transformational leaders provide the satisfying and fulfilling aspects that the intrinsically motivated person is looking for. In addition, the internal focus and the attention to the process as a whole make this an effective combination.

With the insights gained by this thesis, leaders should feel an obligation to investigate their own leadership-style, in order to optimize their effectiveness as leaders.

## Table of contents

<u>Management Summary</u>	2
<u>Chapter 1: Introduction</u>	5
§1.1 Problem Indication	5
§1.2 Problem statement and research questions	6
§1.3 Methodology	6
§1.4 Structure	6
<u>Chapter 2: Leadership-Styles</u>	7
§2.1 Leadership	7
§2.2 Leadership-styles	8
§2.2.1 Transactional leadership	9
§2.2.2 Transformational leadership	9
§2.2.3 Discussion	10
§2.3 Conclusion	11
<u>Chapter 3: Employee Motivation</u>	12
§3.1 Motivation	12
§3.1.1 Theories of motivation	13
§3.2 Intrinsic and extrinsic motivation	13
§3.2.1 Intrinsic motivation	13
§3.2.2 Extrinsic motivation	14
§3.2.3 Influencing intrinsic and extrinsic motivation	15
§3.2.4 Discussion	15
§3.3 Conclusion	16
<u>Chapter 4: Leadership-Styles and Employee Motivation</u>	17
§4.1 Transactional leadership and motivation	17
§4.1.1 Combined with motivation in general	17
§4.1.2 Combined with intrinsic motivation	18
§4.1.3 Combined with extrinsic motivation	18
§4.2 Transformational leadership and motivation	19
§4.2.1 Combined with motivation in general	19
§4.2.2 Combined with intrinsic motivation	19
§4.2.3 Combined with extrinsic motivation	20
§4.3 Conclusion	20

<i>Chapter 5: Conclusion and recommendations</i>	<u>22</u>
§5.1 Conclusion	22
§5.2 Managerial implications	23
§5.3 Suggestions for future research	23
<i>References</i>	<u>25</u>

## Chapter 1: Introduction

### §1.1 Problem Indication

The greatest responsibility for leaders of organisations is that they guarantee its continuity. There is no danger more avoidable yet at the same time more killing for continuity, than an unmotivated workforce.

House, Hanges, Javidan, Dorfman and Gupta (2004), claim that motivation is a key component of leadership. They state that leadership is, amongst others, the ability to motivate others to contribute toward the effectiveness and success of the groups of which they are members (House et al., 2004). Without being able to motivate followers, it is unlikely that leaders of an organization can be successful (Schaffer, 2008). Unmotivated employees are likely to spend little effort in their jobs, exit the organization as given the opportunity, avoid the workplace as much as possible and produce low quality work (Amabile, 1993).

The larger question is: What are distinguishing characteristics of motivation and how can management exert its influence to effect motivation? What are the limits of external influence? Another aspect of motivation appears to be part of the DNA of individuals. There are thus intrinsic, as well as extrinsic factors to consider as part of the motivation of employees (Bénabou & Tirole, 2003). Can someone responsible for others, involved in working or learning tasks, address issues related to motivation in order to lift motivation to a higher level?

Locke (1978), states that goal-setting is a good example of how management can help to motivate employees and improve their performance. He goes on to state that there are many more motivational elements which managers can influence (Locke, 1978). Leaders should therefore never allow a situation of unmotivated personnel to persist. Instead, leaders should search to identify its causes and then address these causes in order to create and sustain an active, highly motivated workforce. The manner, in which this can best be approached, is the main subject of this thesis.

This thesis will provide a comprehensive view on the concepts of both leadership and motivation. It will then provide insight in the relationship between these two concepts. The intention is to define the main aspects that make up the concept of leadership and then show how these different leadership-aspects may be exerted in order to influence the many aspects that define an employees' intrinsic and extrinsic motivation.

### §1.2 Problem statement and research questions

The main research question this paper attempts to answer is: To what extent can insight in leadership-styles as well as motivation, with their characteristics, help to address the aspects of employees' intrinsic and extrinsic motivation, in order to gain a motivated workforce?

The following three research questions will be answered, in order to answer the main research question:

1. Which are the main leadership-styles we can distinguish and what are the main characteristics of these leadership-styles?
2. How do intrinsic and extrinsic motivation differ, what are their main characteristics and how can these be influenced?
3. Do the distinguishing characteristics of each leadership-style contribute to motivation, when they are exerted to influence characteristics of intrinsic as well as extrinsic motivation of employees?

### §1.3 Methodology

The thrust of research for this thesis will be exploratory research. In such cases, extensive preliminary work needs to be done to gain familiarity with the phenomena in the situation (Sekaran & Bougie, 2010). The answers to the research questions will be based on information gathered from pertinent literature regarding leadership and motivation. Current academic journals, articles and books on strategic management as well as behavioural science will provide the main body of data. The information pertinent to the main research question as well as its sub-components will first be logically arranged, then analyzed. The insights gained from this analysis should help to reach the conclusions that answer the research question which prompted the writing of this thesis. It is likely that the insights and familiarity gained into these concepts will provide new ideas for further investigation (empirical research).

### §1.4 Structure

Chapter two will address leadership, leadership-styles and their characteristics and thus attempt to distinguish between discrete leadership-styles. First, the differences between transactional and transformational leadership will be addressed. Transactional leadership focuses more on directing, while transformational leadership engages motivation. Chapter three will address aspects concerning employee motivation. Both, intrinsic and extrinsic motivation will be clarified in terms of their characteristics. The main question here will be whether and if so, how these characteristics can be influenced. Chapter four addresses the relationship between the characteristics of leadership as defined in chapter two and the characteristics of motivation as defined in chapter three.

The last chapter, chapter five, provides an answer to the problem statement. This chapter also includes several managerial implications and suggestions for future research.

## Chapter 2: Leadership-Styles

In order to survive in the twenty-first centuries volatile and competitive economy, real leadership qualities are essential (Bennis, 1989). Bass (1990) states that problems, rapid changes and uncertainties call for determined leaders who can inspire employees to participate enthusiastically in team-efforts and share in the responsibility to achieve organizational goals. Thus, the only conclusion can be that leadership is an important success-factor in today's dynamic business environment.

This chapter will explore the vast body of literature concerning leadership in general and leadership-styles specifically. First, several definitions of leadership will be explored in section 2.1. In the next section, the thesis will distinguish between two different leadership-styles; namely transactional and transformational leadership. The characteristics and dimensions of these two leadership-styles will be presented. This chapter will then conclude with the insights gained on the topic of leadership and leadership-style in general, with a focus on how this may pertain to motivation specifically.

### §2.1 Leadership

There is no single definition of leadership that is universally accepted. Leadership is a complex and broad concept. Even today leadership remains a subject highly susceptible to change. There are a few points of view within the literature on leadership that are worth sharing here to help understand why this field is so complex and broad.

Murphy (1941) states that leadership is a function of the whole situation, it is not a "quality" but more a "process" and therefore it is not static. Burns (1978) describes leadership as follows: "*leadership is the reciprocal process of mobilizing, by persons with certain motives and values, various economic, political, and other resources, in a context of competition and conflict, in order to realize goals independently or mutually held by both leaders and followers*" (p. 425). Maxwell (1998) uses a much simpler definition. He states that leadership is nothing more (or less) than influence. Leadership has been defined by Yukl (1994) as "*the ability of one person to influence a group of persons toward the achievement of common goals*" (p. 14). While the definition of Bennis (1989) is more focused on the individual capability: "*leadership is a function of knowing yourself, having a vision that is well communicated, building trust among colleagues, and taking effective action to realize your own leadership potential*" (p. 7).

These are just a selected few of the many definitions in the literature reviewed. It seems accepted among scholars who discuss leadership, to not define the concept at all (Rost, 1991). Yukl (1989) explains that it is better to use the various conceptions of leadership as a source for different perspectives on a complex, multifaceted phenomenon, rather than to resolve the controversy over the appropriate definition of leadership.

In the selected definitions one common thread appears. It can be derived that leadership concerns one person influencing a person or a group of people in order to realize goals. When the question is addressed of how this can be done, the concept of leadership-styles must be introduced. The next section will expand on this concept.

## §2.2 Leadership-styles

What is essential about leadership-styles with respect to motivation, is to consider those that address the role of the leader in relation to his or her subordinates. Just like the discussion on the definition of leadership above, the many authors that address leadership-styles cannot agree on one, universal, view.

Psychologists Lewin, Lippitt and White (1939) identified three major leadership-styles, namely: the democratic, the autocratic and the laissez-faire styles. Democratic leaders rely upon group decision-making and active member involvement, autocratic styles are domineering and laissez-faire styles – also known as the “hands-off” styles – minimize the leader’s involvement.

Nomothetic and idiographic styles of leadership are derived from the framework of Getzels and Guba (1957). Whereas the nomothetic leadership-style is bureaucratic with prescribed roles and regulations, the idiographic leadership-style is more social with delegation and attention to social needs.

Barber (1977) defines an active-passive dimension of leadership, which refers to the energy investment in job performance.

Goleman (2000) distinguishes between six basic leadership-styles, namely: coercive, authoritative, affiliative, democratic, pacesetting and coaching. Every leadership-style, to a greater or lesser extent, contains aspects on emotional intelligence capabilities within it. These are self-awareness: self-management, social awareness and social skill (Goleman, 2000).

Some types of leadership-style seem universal – autocratic and authoritative – while other styles could be “merged”: laissez-faire is a passive leadership-style.

It does not help for the purpose of this thesis, to clarify all the styles mentioned here. Many authors distinguish between two types of leadership-styles, namely transactional and transformational leadership (e.g. Yukl, 1999; Jung & Avolio, 2000; Judge & Piccolo, 2004; Barbuto, 2005; Rowold & Heinritz, 2007). The focus of this thesis will build on this leading distinction. This distinction of leadership-styles was first introduced by Burns (1978) and later modified and elaborated on by Bass (1985). These are distinct, but not mutually exclusive processes (Bass, 1985). The main characteristics of these two styles will be described in the following sections to get a better and broader understanding of their characteristics.

### §2.2.1 Transactional leadership

Transactional leadership has been characterized as a contractual or *exchange process* between leaders and followers. The transactional leader identifies specific followers' expectations and provides *rewards* in exchange for followers' performance (Bass, 1985). Leaders can also redirect unwanted behaviour of subordinates with negative sanctions ('*punishment*'). The transactional leader works with followers' *current needs* and tries to satisfy those needs with desired outcomes once agreed upon performance levels are achieved (Jung & Avolio, 2000). There seems to be no concerted effort to change followers' personal values, nor necessarily a need to develop a deep sense of trust and commitment to the leader. The subordinates simply '*do what you ask them to do*'.

Three dimensions of transactional leadership can be distinguished. These are: 1) contingent reward, 2) management by exception – active and 3) management by exception – passive (Judge & Piccolo, 2004). It can be debated that laissez-faire should be included as a fourth dimension, but because laissez-faire represents the absence of leadership, most conceptualizations of transactional leadership exclude this 'leadership-style' (Barbuto, 2005). A short explanation of the three included aspects follows:

1. Contingent reward: defining the exchanges between that which is expected from the follower and what the follower will receive in return.
2. Management by exception – active: the focus is on detecting and correcting errors, problems or complaints early in order to maintain current performance status.
3. Management by exception – passive: addressing problems only after they have become serious. (Rowold & Heinitz, 2007)

Transactional leadership can be seen as an imposed or agreed contract between leaders and their followers; these followers make an effort in exchange for a reward or the avoidance of punishment.

### §2.2.2 Transformational leadership

Transformational leadership is a participative leadership-style and is defined as transforming the values and priorities of subordinates, whereby the leader motivates them to *perform better beyond their expectations* (Yukl, 1994). In transformational leadership, the process of influencing followers is one whereby followers are made more attentive to the importance of task outcomes in order to encourage them to go beyond their own interests for the sake of the organization (Yukl, 1999).

Transformational leadership has the assumption that people follow a person who inspires them and the followers *accept and internalize the values* expressed by their leader (Jung & Avolio, 2000). The transformational leader achieves things by using enthusiasm and energy and these leaders set more challenging expectations and achieve higher performances than transactional leaders (Bass & Avolio, 1994).

The four dimensions of transformational leadership are 1) idealized influence, 2) inspirational motivation, 3) intellectual stimulation and 4) individualized consideration (Bass & Avolio, 1994). A short explanation of these concepts follows:

1. Idealized influence: this component is recently divided into two forms. Idealized influence attributed: instilling pride in and respect for the leader; the followers identify with the leader. Idealized influence behaviour: representation of a trustworthy and energetic role model for the follower.
2. Inspirational motivation: articulation and representation of a vision; leaders' optimism and enthusiasm.
3. Intellectual stimulation: followers are encouraged to question established ways of solving problems.
4. Individualized consideration: understanding the needs and abilities of each follower; developing and empowering the individual follower. (Rowold & Heinitz, 2007)

As compared with transactional leadership, a transformational leader places more emphasis on the process of the creation of involvement. This leader also attempts to encourage extra effort by *trust and commitment* and is more likely to inspire and motivate his or her subordinates.

### §2.2.3 Discussion

According to Jung and Avolio (2000), transformational leaders engage the emotional involvement of their followers to build higher levels of identification, commitment and trust in the leader and his or her mission. This shows that charisma is an important aspect of transformational leadership and that is why it is often treated as an equivalent of charismatic leadership (Yukl, 1999). As an example, according to Shamir, House and Arthur (1993) both the charismatic and transformational leadership-styles focus on extraordinary leaders who have exceptional effects on their followers and eventually even on social systems. These leadership-styles cause subordinates to become highly committed to the leader's mission, to make significant personal sacrifices in the interest of the mission, and to perform above and beyond the call of duty (Shamir et al., 1993). Although the focus with charismatic leadership is on an individual leader, rather than on a leadership process that may be shared among multiple leaders, it seems best to conceptualize the two types of leadership as distinct but partially overlapping processes (Yukl, 1999).

As a conclusion, transformational and charismatic leadership will be treated as partially corresponding leadership-styles which can be combined and complement each other.

### §2.3 Conclusion

Leadership has to do with influencing a group of people towards a goal. There are several ways to achieve this, but the most well-known ways are: in a transactional or in a transformational manner. The main characteristics of these leadership-styles are summarized in figure 1.

<i>Transactional leadership</i>	<i>Transformational leadership</i>
Based on an exchange process	Based on mutual trust and commitment
Externally driven (reward and punishment)	Internally driven
Focus on current needs	Focus on current and future needs
Do what they ask you to do	Perform beyond expectations

Figure 1: Characteristics of transactional and transformational leadership

Transactional leadership proposes the basic idea that people are motivated by reward and punishment and that subordinates primarily have to do what their leadership says they should do.

In the case of transformational leadership, behaviour of subordinates is not only motivated by rewards, but also by the process that leads to those rewards.

Transformational leadership overlaps with several aspects of charismatic leadership, whereby the followers strongly identify themselves with the leader and motivation can be reached by inspiring subordinates. Before the effects of leadership-styles on motivation can be investigated any further, more information concerning the subject of motivation itself is needed. The next chapter contains information about this subject.

## Chapter 3: Employee Motivation

Motivation is highly valued because of its consequences: motivation produces (Ryan & Deci, 2000-b). In addition, employees who feel motivated toward their work are likely to be persistent, creative and productive, turning out high quality work that they willingly undertake (Amabile, 1993). Research also shows that whether a person behaves for intrinsic or for extrinsic reasons has a significant impact on the quality of the experience as well as the performance (Ryan & Deci, 2000-a).

Based on these statements, one could conclude that it should be of great concern to leaders to gain insight in not only the state of motivation of their subordinates, but the underlying reasons for their motivation as well.

This chapter provides information concerning motivation in general and motivation theories specifically. Two different types of motivation will be further explored, namely intrinsic and extrinsic motivation. In a later section of this chapter, the way each of these can be influenced will be presented. This chapter will then conclude with the insights gained on the topic.

### §3.1 Motivation

There are many definitions of motivation and there is no apparent consensus of what the actual meaning of motivation is. Several points of view will be shared below in order to get a broader understanding of the concept of motivation.

According to Robbins (1994) motivation is *“the willingness to do something and conditioned by the action’s ability to satisfy some need of the individual”* (p. 42). Another view is provided by Ryan and Deci (2000-b): *“Motivation concerns energy, direction, persistence and equifinality – all aspects of activation and intention”* (p. 69). Ryan and Deci (2000-a) also state that somebody who is activated toward an end is considered motivated. Reiss (2004) argues that motivation is no more than *“reasons people hold for initiating and performing voluntary behaviour”* (p. 179). Motivation should not be considered as static; *“the art of motivation is a process of changing one’s willingness to exert effort”* (Kamery, 2004, p. 92).

From these definitions it can be derived that motivation concerns the willingness of somebody to behave in a certain way and this willingness is dynamic in the sense that it changes over time.

Ryan and Deci (2000-a), state that motivation can vary in the *level* as well as in the *orientation* of motivation. The level of motivation refers to how much motivation one person feels, the orientation of motivation concerns the type of motivation and reveals ‘the why of actions’ (Ryan & Deci, 2000-a). The orientation of motivation will be explored further in section 3.2. First however, several theories on motivation will be presented.

### *§3.1.1 Theories of motivation*

Theories of motivation are designed to explain why people behave in a particular way. Maslow's (1943) theory is one of the most widely discussed theories of motivation. He distinguishes between five basic needs, which are arranged in a hierarchy and are related to each other. The basic needs are listed from basic (lowest-earliest) to more complex (highest-latest) needs and are the following: physiological needs, safety needs, love/belonging needs, esteem needs and need for self-actualization. When a need is reasonably well satisfied, the next 'higher' need emerges (Maslow, 1943). The theoretical perspective of Maslow has often been assumed as the basis for separating intrinsic and extrinsic rewards, where the lower order needs – physiological, safety and love/belonging needs – can be seen as extrinsic and the higher order needs – esteem needs and need for self-actualization – as intrinsic (Guzzo, 1979).

The motivation-hygiene theory by Herzberg, Mausner and Snyderman (1959) is also a well known theory on motivation. According to this theory, people's motivation is influenced by motivators and hygiene-factors. Motivators give positive satisfaction, while hygiene-factors do not motivate if present, but result in de-motivation if absent (Herzberg et al., 1959). Motivators concern the work itself, whereas hygiene-factors have something to do with the surrounding context (Amabile, 1993). Therefore, motivators are known as intrinsic factors and hygiene-factors as extrinsic factors. These are just a few of the several well known theories of motivation (other theories are e.g. Mayo, 1933; McGregor, 1960; McClelland, 1961; Vroom, 1964).

However, as seen in the explanation of the theories of Maslow (1943) and Herzberg et al. (1959), the distinction between intrinsic and extrinsic factors is recurrent. This distinction will therefore form the framework for types of motivation as described in the following section.

### §3.2 Intrinsic and extrinsic motivation

Human motivation at work is the heart, of the field of organizational behaviour. In work and other contexts, motivation is often described as being intrinsic or extrinsic in nature (e.g. Deci, 1972; Shamir et al., 1993; Ryan & Deci, 2000-a, 2000-b; Barbuto, 2005). The difference is in people doing activities for their own sake (intrinsic) or for instrumental reasons (extrinsic). Both of these concepts of motivation will be described in the following sections as well as the way each can be influenced.

#### *§3.2.1 Intrinsic motivation*

The concept of intrinsic motivation was first discovered as a result of experimental studies by White (1959) where he found that animals engage in exploratory, playful and curiosity-driven behaviours even in the absence of reinforcement or reward. Therefore, intrinsic motivation reflects the inherent tendency to seek out novelty and challenges, to extend and exercise one's capacities, to explore, and to

learn (Ryan & Deci, 2000-b). Intrinsic motivation derives from *within the person or from the activity itself* and the motivation is not drive-based or a function of external control (Deci & Ryan, 1985).

A person will work on a task because, for example, he or she finds it enjoyable, not because he or she will be rewarded or punished. As a result, the ideal incentive system is *in the work content itself*, which must be satisfactory and fulfilling for the employees (Osterloh & Frey, 2000).

Theory as well as empirical studies, reveal that intrinsic work motivation is primarily related to task characteristics such as *job autonomy, skill variety, task significance, task identity, and feedback from the job* (Houkes, Janssen, Jonge & Nijhuis, 2001). Here, the relation can be made with the higher order needs of Maslow (1943).

Osterloh and Frey (2000) state, that under specific conditions, intrinsic motivation is superior to other forms of motivation in circumstances relevant for organizations. Intrinsic motivation is also referred to as ego motives (Reiss, 2004).

Briefly summarized; intrinsic motivation is internally driven – it derives from within the person or from the activity itself – and therefore, certain task characteristics are important in the sense that employees must perceive the work content as being satisfactory and fulfilling.

### §3.2.2 Extrinsic motivation

Although intrinsic motivation is undoubtedly an important type of motivation, most of the activities people do are not caused by intrinsic reasons (Ryan & Deci, 2000-a). Amabile (1993) agrees with this and states that there are many work activities that are purely extrinsically motivated.

Extrinsic motivation is the motivation to engage in an activity as a means to an end. Individuals who are extrinsically motivated work on tasks because they believe that participation will result in desirable outcomes such as a *reward or the avoidance of punishment* (Pintrich & Schunk, 1996). The motivation comes from *outside the individual* (external). A task can be of little or no interest, but the external reward will be a motivator for the person to continue the task. Examples of external rewards are money, a cheering crowd or a good grade.

Extrinsic motivation is also called drives (Reiss, 2004).

As a conclusion; extrinsic motivation is externally driven and the focus is on the outcome of the activity for the task-worker himself. The outcome could be a reward or the avoidance of punishment.

DeCharms (1968), states that extrinsic motivation contrasts with intrinsic motivation. There are instances of documented cases where extrinsic goals can become so deep-seated by persons that it becomes difficult to distinguish whether it concerns external or internal motivation (Ryan and Deci, 2000-a). Amabile (1993) argues that both types of motivation often co-occur; one person can be intrinsically motivated to do his or her job, however, to complete the task within a certain deadline, he or she could be extrinsically motivated. Hence, the line of demarcation between intrinsic and extrinsic motivation is vague and both types of motivation can be present for one specific task.

### §3.2.3 *Influencing intrinsic and extrinsic motivation*

Both intrinsic and extrinsic motivation, have been explained in some detail above. It is essential for leaders to know what motivates their subordinates. The distinction between intrinsic and extrinsic motivation is important here, since intrinsically motivated behaviour may be deemed more desirable than extrinsically motivated behaviour in certain circumstances (Osterloh and Frey, 2000). Then, also, it becomes important to know if there are possibilities to influence these types of motivation one way or another.

Osterloh and Frey (2000), state that it is *more difficult for leaders to change the intrinsic motivation of their subordinates than the extrinsic motivation*. This can be explained by the fact that intrinsic motivation will occur only for activities that hold intrinsic interest for an individual – those that have the appeal of novelty, challenge or aesthetic value for that individual (Ryan & Deci, 2000-a). But there are many possibilities to enlarge the intrinsic drive of a person. For example, this can be achieved by: positive performance feedback (Harackiewicz, 1979), choice and the opportunity for self-direction (Zuckerman, Porac, Lathin, Smith, & Deci, 1978) and high levels of instrumental support (Yperen & Hagedoorn, 2003). Reiss (2004) even determines sixteen motives which represent intrinsic desires that directly motivate a person's behaviour: power, curiosity, independence, status, social contact, vengeance, honor, idealism, physical exercise, romance, family, order, eating, acceptance, tranquillity and saving. Locke (1978), states that goal-setting is one very important element of employee motivation. Employees are motivated by clear goals and appropriate feedback. Also, working toward a goal provides a major source of motivation to actually reach the goal (Locke, 1968). It appears that goal-setting contributes to both intrinsic motivation (the challenge of reaching the goal) and extrinsic motivation (the reward for reaching the goal).

The outcome of intrinsically motivated people is more uncertain than in the case of extrinsically motivated people (Osterloh & Frey, 2000). Osterloh and Frey (2000) state that external reward makes extrinsic motivation easier to calculate than intrinsic motivation.

In conclusion; it seems relatively harder to influence intrinsic motivation as opposed to extrinsic motivation and the outcome for intrinsically motivated people appears to be more uncertain.

### §3.2.4 *Discussion*

Deci (1972), argues that making extrinsic rewards (like monetary payments) contingent on performance, reduces a person's intrinsic motivation. This is called overjustification. Studies have shown that when a person with intrinsic interest performs a task where awards are added as incentive they showed less subsequent intrinsic interest in the target activity than when a person performed the same task without awards as incentive (Lepper, Greene & Nisbett, 1973). Lepper et al. (1973) concluded that expected extrinsic rewards undermine the intrinsic motivation in previously enjoyable activities. People tend to be more focused on the reward than on the activity. The question rises if

leaders should or should not use contingent rewards to motivate their subordinates for their performances, because it seems relatively easier to influence extrinsic motivation and the outcome is less uncertain.

Dermer (1975) states that in the majority of administrative settings, the allocation of extrinsic rewards based on performance, is a preferable method to alternative approaches. This is due to the fact that people work with some expectations with respect to extrinsic rewards which must be allocated equitably (Dermer, 1975). In conclusion; extrinsic motivation could indeed undermine intrinsic motivation, however, extrinsic rewards seem to be acceptable and useful in an administrative setting.

### §3.3 Conclusion

Motivation can be seen as the willingness of somebody to behave in a certain way; the incentive for a person to achieve something. An incentive can be internal or external in nature. That is why the distinction between intrinsic and extrinsic motivation is made. Intrinsic motivation refers to doing something because it is inherently interesting or enjoyable, while extrinsic motivation refers to doing something because it leads to a separable outcome (Ryan & Deci, 2000-a). Nevertheless, distinguishing between intrinsic and extrinsic motivation may be diffuse and both types can co-occur within a single task. The main characteristics of intrinsic and extrinsic motivation are presented in figure 2.

<i>Intrinsic motivation</i>	<i>Extrinsic motivation</i>
Internally driven	Externally driven
Characteristics of the activity are relevant	Focus only on the outcome of the activity
Search for certain satisfying and fulfilling aspects, such as autonomy and feedback	Search for rewards or the avoidance of punishment
Relatively hard to change	Relatively easier to change

Figure 2: Characteristics of intrinsic and extrinsic motivation

Although it appears to be accepted to use extrinsic rewards in an administrative setting, it seems that extrinsic rewards can have a negative influence on the intrinsic motivation of people under certain circumstances. Furthermore, it appears easier to influence the extrinsic motivation of subordinates and the outcome can be calculated better. On the other hand, intrinsically motivated behaviour can be superior to extrinsically motivated behaviour.

Both the concepts of leadership and motivation have now been explored separately. For the interest of the main research question of this thesis, the next chapter researches the link between these two concepts.

## Chapter 4: Leadership-Styles and Employee Motivation

Lindner (1998) states that motivated employees are more productive. Therefore, managers need to understand what motivates their employees to be effective. This is arguably one of the most complex functions of a manager (Lindner, 1998). Kamery (2004) also states that proper use of positive motivation is critical for managers in today's constantly changing business environment and that it is a must, to stay ahead of competitors.

For these reasons, this chapter will seek to match and combine characteristics from the concept of leadership with characteristics from the concept of motivation in order to gain more insight.

As seen in the previous chapters, leadership theory distinguishes between transactional and transformational leadership-styles and motivation is split into intrinsic and extrinsic motivation. It will be investigated what their relation is and if there are differences between how characteristics of leadership-styles affect characteristics of the types of motivation.

### §4.1 Transactional leadership and motivation

Transactional leadership, as described in chapter 2, is based on an exchange process between the leaders and their subordinates. Here the subordinates are externally driven to perform, by rewards and punishments. A distinction is made between three dimensions of transactional leadership, namely: contingent reward, active management by exception and passive management by exception. First, the relationship between transactional leadership and motivation in general will be explored. Then, the following two sections will investigate the contribution of the transactional leadership-style to first intrinsic and then to extrinsic motivation.

#### *§4.1.1 Combined with motivation in general*

Judge and Piccolo (2004) recognized that contingent reward transactional leadership has a positive, nonzero relationship with the motivation of a follower. Further, they state that management by exception – passive, has a negative, nonzero relationship with motivation (Judge & Piccolo, 2004). They do not provide a hypothesis regarding management by exception – active. Webb (2007), on the other hand, states that management by exception – both active and passive – are negatively correlated with motivation toward extra effort, yet leaders can motivate employees to work harder towards achieving desired results, by providing contingent reward systems. Active management by exception is seen by Bass and Avolio (1994) as neither an effective nor an ineffective form of transactional leadership. In conclusion,

- the contingent reward dimension of transactional leadership relates positively with employees motivation,
- management by exception – passive correlates negatively with motivation and
- management by exception – active can be considered as somewhere in between.

#### *§4.1.2 Combined with intrinsic motivation*

Chapter 3 also provided more information concerning intrinsic motivation. It revealed that intrinsic motivation is derived from within the person or from the activity itself (internally driven) and that it is important that the work content is seen as satisfactory and fulfilling by the employees to perform beyond their expectations. Furthermore, it is argued that intrinsic motivation of subordinates is relatively hard to influence by a leader.

As seen in chapter 3, characteristics of transactional leadership (like monetary payments) are acceptable in administrative settings, but they can reduce a person's intrinsic motivation. This can be due to the fact that both concepts focus on different, if not contrasting areas. Whereas transactional leadership is more focussed on the reward, the activity itself plays the biggest part in the case of intrinsic motivation. Houkes et al. (2001) concluded that, amongst others, job autonomy and feedback are intrinsic motivators. It seems that transactional leaders do not comply with these characteristics, as they only tend to concentrate on offering a reward in exchange for the needed effort. Furthermore, to get extra effort and performance beyond expectations, merely carrying out a contractual agreement with the leader seems to fall short of this goal, when trying to motivate an intrinsically motivated person (Jung, 2001).

In conclusion, transactional leadership seems to have a negative influence on intrinsic motivation.

#### *§4.1.3 Combined with extrinsic motivation*

Extrinsic motivation – as seen in chapter 3 – is externally driven and the focus is on the outcome of the activity for the follower. The outcome could be a reward or the avoidance of punishment. Extrinsic motivation seems to be relatively easy to be influenced by a leader.

When both the concepts – transactional leadership and extrinsic motivation – are compared, there seems to be a relationship. Reward and punishment are the tools for transactional leaders wishing to motivate their subordinates. These encourage the subordinates to do what is needed. Extrinsically motivated people are receptive to the stimuli of reward and punishment. Therefore, extrinsic motivation can be seen as the foundation of the transactional leadership theory (Kalar & Wright, 2007). And indeed, Barbuto (2005) suggests that where extrinsic/external processes combine, this really derives from the surroundings of the person. He goes on to propose that people are not only influenced by an external process, but they are motivated by prestige, rewards and status as well. This provides a good fit with transactional leadership (Barbuto, 2005). Both concepts focus on an outcome rather than on a process and both concepts focus on the short term or current situation as well. Consequently, it is safe to conclude that transactional leadership has a strong, positive relation with extrinsic motivation.

## §4.2 Transformational leadership and motivation

Chapter 2 showed that transformational leadership is a participative leadership-style which is based on mutual trust and commitment. Transformational leaders can make their subordinates perform beyond expectation, due to the fact that transformational leaders focus on current as well as on future needs of their subordinates' internal drivers. Transformational leadership seems to contain several aspects of charismatic leadership and the following dimensions of transformational leadership are distinguished: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. First, the relationship between transactional leadership and motivation in general will be investigated. Then, the next two sections explore the role of the transformational leadership-style to respectively intrinsic and extrinsic motivation.

### *§4.2.1 Combined with motivation in general*

Transformational leadership involves the motivation of others (Avolio, 1999). Hence, motivation seems to be a key aspect of this leadership-style. The study of Webb (2007) confirms that if leaders want to increase motivation toward extra effort among their staff, focussing their attention on behaviours associated with charisma or intellectual stimulation, as well as being considerate of others, is most likely to realise this results. In addition, Judge and Piccolo (2004) demonstrated that transformational leadership has a positive, nonzero relationship with the motivation of followers. No distinction is made between the separate dimensions of transformational leadership. Nevertheless, it can be assumed that the dimensions of the transformational leadership-style will all have a positive relationship with motivation. This can be concluded as a result of the fact that transformational leadership has the highest correlation with motivation (Judge & Piccolo, 2004).

### *§4.2.2 Combined with intrinsic motivation*

When comparing transformational leadership with intrinsic motivation, there seems to be a fit; both concepts are internally focused and focus on the process as a whole, not just the outcome. This belief is reinforced by Barbuto (2005), who states the following: "*Intrinsic/internal motivation embodies the person and his or her emotions, encompassing fun, trust, and self-worth, all of which are derived from internal influences. These qualities are similar to those needed for transformational behaviours.*" (Barbuto, 2005, p. 31).

Kalar and Wright (2007) declare that when subordinates' beliefs and values are transformed to be more in line with the values and goals of an organization, this is the transformational leaders' craft, when they want to motivate their subordinates. This works towards increasing the intrinsic motivation of the subordinates, since they see the organization's success as their own (Kalar & Wright, 2007). Shamir et al. (1993) go on to state that transformational/charismatic leaders motivate their subordinates by enhancing their self-esteem and self-efficacy, this contributes to bringing their performance to a higher level.

The conclusion here is that transformational leadership has a positive influence on intrinsic motivation.

#### §4.2.3 Combined with extrinsic motivation

Transformational leadership focuses on internal needs of subordinates and places emphasis on the process of the creation of involvement. Transformational leaders do not seem to provide external rewards. An extrinsically motivated person may seek for extrinsic rewards and could therefore not feel triggered by his or her transformational leader to put extra effort on the task. According to Judge and Piccolo (2004), transformational leaders offer a purpose that goes beyond short-term goals and is more concentrated on the higher order needs. Extrinsic motivation is more concerned with the lower order needs of Maslow (1943).

That is why it can be assumed that transformational leadership relates negatively with extrinsic motivation.

#### §4.3 Conclusion

Both of the treated leadership-styles have been related to motivation in general. Transactional leadership appears to have mixed consequences for the level of motivation, while transformational leadership seems to have an overall positive effect on motivation in general, as presented in figure 3.

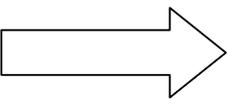
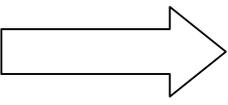
<i>Transactional leadership</i>		<i>Motivation</i>
- Contingent reward		+
- Active management by exception		+/-
- Passive management by exception		-
<i>Transformational leadership</i>		<i>Motivation</i>
- Idealized influence		+
- Inspirational motivation		+
- Intellectual stimulation		+
- Individualized consideration		+

Figure 3: Influence of leadership-styles to motivation in general

Furthermore, the influence of the leadership-styles on the types of motivation – intrinsic and extrinsic – has been explored to determine their contribution to the types of motivation. Transactional leadership appears to have a positive influence on an extrinsically motivated person, where transformational leadership tends to contribute more positive to intrinsically motivated people. The conclusions of this investigation are presented in figure 4.

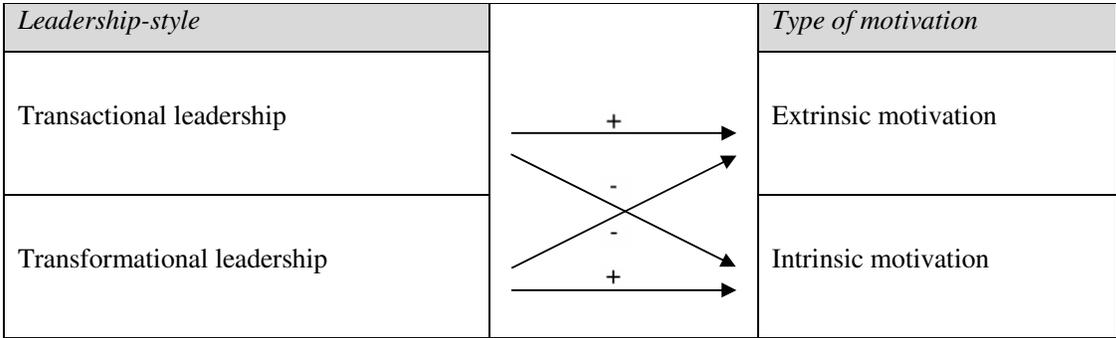


Figure 4: Influence of transactional and transformational leadership on extrinsic and intrinsic motivation

All of the research questions mentioned in chapter 1 have now been addressed. The conclusions will provide the basis for answering the main research question which will be explored in the next chapter.

## Chapter 5: Conclusion and recommendations

This chapter will provide the answer to the problem statement: To what extent can insight in leadership-styles as well as motivation, with their characteristics, help to address the aspects of employees' intrinsic and extrinsic motivation, in order to gain a motivated workforce? Furthermore, managerial implications and suggestions for future research will be presented in this chapter.

### §5.1 Conclusion

In order to answer the main problem statement, two leadership-styles and their main characteristics were distinguished: namely transactional and transformational leadership. Where transactional leadership can be seen as an exchange process between leaders and their subordinates; the leader focuses on their current needs and exchanges rewards or punishment for the effort of their followers. In contrast, transformational leadership is primarily concerned with the future needs of the subordinates and places emphasis on transforming the values, beliefs and priorities of the followers. In addition a transformational leader is more likely to inspire and motivate its subordinates to perform beyond expectations and therefore some overlap with charismatic leadership should be recognized.

To explore how the two leadership-styles contribute to motivation, more information concerning the concept of motivation is needed. Motivation can be classified as being intrinsic or extrinsic. Intrinsic motivation derives from within the person or from doing the activity itself and therefore the characteristics of the activity are important. Certain task-aspects like autonomy and feedback are perceived to be important. Extrinsic motivation on the other hand, is more externally driven by certain rewards or the avoidance of punishment. The focus of extrinsically motivated people is on the outcome rather than the process that leads to those outcomes. It is relevant to note that the dividing line between intrinsic and extrinsic motivation is vague and that it is possible that both types of motivation may occur together within a task.

For the purpose of investigating the extent to which insight in each leadership-style helps to address aspects of an employees' intrinsic and extrinsic motivation, the relation between the two concepts – leadership and motivation – was investigated.

It appears that transactional leadership has mixed influence on motivation in general and a positive influence on extrinsic motivation (none on intrinsic motivation). Due to the fact that both concepts focus on external aspects and the present, there is a strong fit between transactional leadership and extrinsic motivation.

Transformational leadership seems to have an overall positive contribution to motivation in general and a positive relation with intrinsic motivation (none with extrinsic motivation). This can be explained by the overlapping aspects of both concepts; namely the internal focus and the attention to

the whole process, instead of its outcome only. The transformational leader provides the satisfying and fulfilling aspects that the intrinsically motivated person is looking for.

### §5.2 Managerial implications

With the insights gained by this thesis, leaders should feel an obligation to investigate their own leadership-style, in order to optimize their effectiveness as leader. The style can be transactional or transformational. The actions of an effective leader should contribute to enhancing the motivation of their subordinates.

There are several views on what makes an effective leader. Covey (1989) argues that highly effective leaders all seem to have seven habits in common that make them highly effective. They are the following: be proactive, begin with the end in mind, put first things first, think win-win, seek first to understand and then to be understood, synergize and sharpen the saw (Covey, 1989). In 2004, Covey added an eighth habit: the potential for greatness.

Kouzes and Posner (1995) identify five actions as being key for successful leadership: model the way, inspire a shared vision, challenge the process, enable others to act and encourage the heart.

Yukl (1989) formulated the following leader characteristics: need for achievement, need for power, self-confidence, emotional maturity, technical skills, conceptual skills and interpersonal skills.

It is relevant to assess, if a leaders' current leadership-style is the proper style to motivate his or her subordinates in the setting they work. Only with this information does it become possible to be effective as a leader. Does the existing leadership-style fit with what is required? Are the subordinates receptive to short-term incentives or to long term growth? As seen in the previous chapters, this depends on the type of motivation of the followers – which can be extrinsic, intrinsic or both.

According to Robbins and Coulter (1996), leaders should make themselves available to their followers and invite contact. This is the only way to develop insight in the things followers need and the things followers want (Robbins and Coulter, 1996). Effective leaders should gain as much insight as possible in what truly motivates their subordinates.

### §5.3 Suggestions for future research

The following recommendations for future research became apparent during the writing of this thesis and are worth sharing.

Overall, this thesis is based on exploratory research. Theory on leadership and motivation has provided insight. From this insight a theoretical model is created for a best-fit of leadership-style with motivation typology. Future research could focus on questionnaires to classify leaders on style and

subordinates on motivation typology. Then quantitative research could show the effects on bottom-line figures in practice, for each possible match of leadership-style with motivation typology.

From the discussion in chapter two it becomes evident that transformational and charismatic leadership are frequently used interchangeably by authors (e.g. by Shamir et al., 1993), while other authors treat both types of leadership as separate styles of leadership (e.g. by Barbuto, 2005) or as overlapping processes (e.g. by Yukl, 1999). It seems relevant to work out the reasons for this inconsistency and create a unified view.

The discussion in chapter three shows that the promise of extrinsic rewards in an intrinsically motivated work-task environment may undermine intrinsic motivation. However, providing extrinsic rewards seems to be the norm among the majority of administrative settings even for intrinsically motivated subordinates. An area of further research may be to help clarify how this dilemma can be avoided. The investigation should clarify under which circumstances it helps to provide extrinsic rewards to an intrinsically motivated work-force and when this is harmful.

Chapter four concludes with the proposition that transactional leadership is not effective for intrinsic motivation and transformational leadership is ineffective with extrinsic motivation. This conclusion was based on the characteristics of the concepts. There is little or no hard data in the referenced literature to explain and support this proposition for this model. Future research could provide such data and help to fill this gap.

This thesis focuses on the influence of leadership on followers' motivation. It might also be interesting to investigate what motivates leaders. Can the theories of motivation be applied to the different styles of leadership? Does this make them more effective leaders? How are great leaders themselves motivated?

One could conclude that there is still a lot to discover in this field.

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