

UNIVERSITY OF KWAZULU-NATAL

**LEADING EMPLOYEES IN THE AUTOMOTIVE INDUSTRY DURING AN
ECONOMIC CRISIS**

By

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Declaration

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ABSTRACT

The global economic crisis in 2008 has been extremely challenging for most organizations. It has forced organizations to reassess all aspects of its business, including the leadership styles of its management structure. Leadership is a highly valued commodity and people are an organization's most valuable asset. The purpose of this study is to ascertain if managers should adopt a specific leadership style to manage employees during an economic crisis. A systematic literature review of industry and management responses to the crisis, as well as various leadership theories was completed. Data, for this study, was drawn from a web based questionnaire, with a sample of 125 employees in two automotive suppliers, situated in Durban, South Africa. The study demonstrates that it is not necessary for leaders to change their leadership styles to lead their employees through an economic crisis. It is evident that the specific actions taken to address employees' anxiety are of more importance than their leadership style. Management should not forget the "soft management issues" during an economic crisis and also focus on employees' well-being.

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CHAPTER ONE

Overview of the Study

1.1 Introduction

This study will investigate and outline successful approaches that employers within the automotive industry can take with respect to leadership during an economic crisis. Leadership is a highly valued commodity and people are an organization's most valuable asset. The automotive industry was one of the most severely affected industries. Car manufacturers were reluctant to grant price increases to its suppliers. It was expected that suppliers cut costs whilst at the same time maintaining the highest levels of quality and productivity. This study will focus on how workers in the automotive component manufacturing industry, in Durban, were managed to maintain their focus and motivation levels to meet the organizational objectives.

This chapter presents an overview of the research undertaken in which the motivation for the study, the focus and problem statement of the research is described. The research question is stated followed by the objectives used to address the research problem. The limitations of the study have been identified followed by a brief overview of this research study.

1.2 Motivation for the Study

While there have been studies on leadership (Lussier and Achua 2010; Avolio, Walumbwa and Weber 2009; Seidman and McCauley 2011), crisis management (Heifetz, Grashow and Linsky 2009; de Waal and Mollema 2010) and the economic crisis (Duquesnois, Gurãu and Le Roy 2010; Tuttle, Shenchang, Heap and Yan 2010; Naudé 2009; Catanach Jr. and Ragatz 2010) per se, there is a lack of academic literature which simultaneously covers all three subjects. This study attempts to bridge the gap between them.

A crisis is by its very nature unexpected. The automotive industry is a major contributor to the South African economy but is globally relatively insignificant. The sustainability of organizations in this industry depends on their ability to effectively respond to the challenges and threats they face. This study will bring to the attention of these organizations the merits of leadership, an often neglected management tool, to help cope with an economic crisis and utilize it to gain competitive advantage. Attention will also be drawn to actions taken by management during the economic crisis in 2008 and the subsequent response of employees. The findings of this study will add to the body of knowledge of any organization facing any crisis (not necessarily an economic crisis) and more importantly offer recommendations, if any, on the manner employees could be led during a crisis, to achieve organizational objectives, based on empirical findings.

1.3 Focus of the Study

This study was confined to employees of two of the leading first tier suppliers (in terms of turnover, number of employees, number of parts supplied and investment by Motor Vehicle Manufacturers - OEMs) in the South African automotive industry. These companies are located in Durban, South Africa. A targeted sample of staff members with access to the internet was selected to participate in this study. This group comprised of employees from various hierarchical levels in the two selected organisations, ranging from junior to senior members of staff.

Staff of motor vehicle manufacturers (Original Equipment Manufacturers - OEMs) in South Africa, such as Toyota, General Motors, VW, Mercedes Benz, BMW, Land Rover, Nissan and Ford, were omitted from this study. Second and third tier suppliers and those situated in other regions of the country were also omitted from this study. This was due to the time frame of four months allocated for this study.

1.4 Problem Statement

The recent global economic crisis has called into question the response of management. It is evident that responses from organizations include the usual cost cuts, retrenchments, reduced working hours, deferred investments etc. However the soft side of management – leading staff – has been neglected. It is argued that unless organizations review all organizational components, survival and future success in this volatile economic environment will be further jeopardized.

This study sought to understand if leaders in the automotive industry should adopt a specific leadership style to manage employees during an economic crisis.

1.5 Research Questions

The following questions were identified to guide the research process:

- Is it necessary to adopt a different management style in an economic crisis?
- Are managers aware of the management style that employees prefer?
- Are employees likely to leave the organization as a result of management's response?
- Do the expectations of employees change during an economic crisis?

1.6 Objectives

The objectives of this study are:

- To establish the manner people were managed by the organization prior to the economic crisis
- To establish the changes made in managing people during the economic crisis

- To establish if it is necessary to adopt a different management style in an economic crisis
- To determine the response of employees to these changes
- To ascertain managers' awareness of the management style that employees prefer
- To ascertain the likelihood of employees leaving the organization as a result of management style
- To determine if the expectations of employees change during an economic crisis

1.7 Limitations of the Study

The following were the main limitations identified:

- The time frame. The main constraint identified in this study was the time frame of four months which was allocated for this study. In view of that, the target population, method of sampling, research instrument and sample size was selected to ensure that the study was completed within this time frame.
- The target population. The study was limited only to employees in the tier one automotive component manufacturing sector, situated in Durban, South Africa. Although Toyota is the largest car manufacturer in South Africa, it is the only OEM situated in Durban. OEMs and component manufacturers that are situated in other regions of South Africa such as Port Elizabeth, East London and Pretoria were omitted from this study. Thus the targeted population was small which resulted in a small sample of respondents. However, it is valuable to examine a small population which could later lead to a comparative study with a larger population.

- Sample. A convenience sample was selected by virtue of its accessibility ensuring that the data could be easily obtained in a relatively short period of time. However, this sampling technique is the least reliable in terms of generalizability. Subsequently, the results of this study could not be generalized to the entire population of the South African automotive industry. However, analysis of the data collected may indicate certain trends or patterns that could possibly exist in the population.
- The sample size (125) was small due to the limited time in which to obtain data.
- Administration of the questionnaire. Since the questionnaire was web based, only office based employees, with access to the internet, were targeted. Employees that were factory based, for example, were omitted from this study. The expectations of these workers may have been different to the selected sample, which may have added value to the study.

1.8 Outline of the Study

This study was presented in five chapters, providing a logical flow of the research process undertaken. The details of these chapters are as follows:

- Chapter One provided an introduction to the research problem, the motivation, focus of the study and the research question that was addressed. The objectives and limitations of this study were also identified.
- Chapter Two was based on a literature review, which focused on the global economic crisis, the global automotive industry and its response to the crisis, the South African economy and the global crisis, the South African automotive industry and its response to the crisis and finally on the subject of leadership.

- Chapter Three described the various research techniques employed in this study, as well as the justification for the choice of these methods.
- Chapter Four included the presentation, interpretation and discussion of the results of this study, based on the research objectives. The first part of this chapter was of a descriptive nature while the second was inferential. However, the generalization of the findings may be limited, due to the relatively small convenience sample that was selected for this study. The findings of this study were discussed with reference to the relevant literature pertaining to the objectives of the study.
- Chapter Five was the final chapter of this study in which recommendations arising from the study were presented. The limitations identified in this study were discussed and possible recommendations for further research were presented.

1.9 Summary

This chapter provided an overview of the study undertaken, introduced the research problem, the motivation, focus of the study and the research question addressed. The objectives and limitations of this study were also identified. The next chapter focuses on the literature review, which formed the basis for the empirical study.

CHAPTER TWO

Literature Review

2.1 Introduction

The global economic crisis in 2008 has been extremely challenging for most organizations. It has forced organizations to reassess all aspects of its business, including the leadership styles of its management structure. Elenkov and Petkova-Gourbolova (2010) argued that entrenched management theories appeared to be unable to predict or explain how employees' behaviour, perceptions and attitudes would change as a result of the crisis. Elenkov and Petkova-Gourbolova (2010) asserted that it would be of great value if research revealed that there was a difference of leadership styles before and during the economic crisis. Leadership has been studied for centuries. According to Northouse (2011) leadership is a highly valued commodity and people are an organization's most valuable asset (Jones and George 2008). Corporations seek people with leadership qualities because they believe they bring special assets to their organizations and ultimately improve their chances of success and profitability (Northouse 2011). Wren, according to Nienaber (2007, p.2), stated that the early management pioneers realized that technical knowledge alone did not ensure managerial success. The automotive industry in South Africa is a major contributor to its economy and the use of leadership principles to guide its organizations through an economic crisis is worth investigating.

2.2 The Global Economic Crisis

According to Business as Usual (2010, p.11), "Economic recessions are an unwelcome fact of business life". Whilst AlHabsi and Syed Agil (2010) argued that the global economic crisis in 2008 was triggered by sub-prime lending in the USA, Parsons (2008) argued that the root cause of the crisis was the inability of financial institutions to cope with the pace of globalization, information technology and the

inventiveness of new financial leverage instruments. Unscrupulous managerial behaviour was also encouraged with some of these new instruments. Parsons (2008) asserted that the old adage of “don’t lend money to people who cannot pay back” was simply ignored. More than \$1 trillion was lent out that could not be paid back. According to Naudé (2009) stock market prices started to spiral downwards and the approximately US\$25 trillion lost was largely unexpected. Jonung (2008) was cited by Naude (2009) as arguing that there was no commonly accepted theory for governments and organizations to adopt in the wake of the crisis. According to Naude (2009) governments responded to the crisis by nationalizing, regulating and providing financial support for certain institutions. Governments also introduced new fiscal and monetary policies. Despite these government interventions, the search for a clear plan to get economies back on a steady footing continues. According to the World Economic Forum (2010), the global economic and financial environment remains uncertain and volatile.

The challenge for organizations is to find ways to manage a financial crisis whilst at the same time prepare for competition in the future global economy, filled with uncertainty and shifting balances (Naude 2009). Hough *et al* (2003), was cited by Challenor (2008) as arguing that all business today is global. “Those individual businesses, firms, industries and whole societies that clearly understand the new rules of doing business in a world economy will prosper, those that do not, will perish” (Challenor 2008, p.6).

Organizations adopted different strategies in response to the economic crisis. According to Ng (2011), many organizations such as Nike and Proctor and Gamble, overhauled their manufacturing process and decided to outsource as a key cost control measure.

According to Duquesnois, Gurău and Le Roy (2010) wine producing firms in France responded to the crisis by adopting a combination of “niche’ + differentiation” strategy. Firms that were influenced by their previous experience of a crisis preferred a differentiation strategy. The research also concluded that the targeted firms did not seek a competitiveness advantage during the crisis.

European banks, according to Carbonara and Caiazza (2010) responded to the economic crisis by reassessing the way strategic decisions were made and planning was done, under uncertain conditions. Banks which correctly identified key factors of uncertainty were rewarded by being able to turn the crisis into opportunities.

The automotive industry, according to The International Organization of Motor Vehicle Manufacturers (OICA), is another global industry which drives economic growth. Unfortunately this industry was also drastically affected by the global economic crisis.

2.3 The Global Automotive Industry and its response to the economic crisis

According to OICA (2011), the global automotive industry is a key sector of the economy for every major country in the world, which continues to grow, registering a 30% increase over the past decade (1995-2005). In 2010, the world's automobile industry made over 77 million cars, vans, trucks and buses (a 26% increase from 2009). This level of input is equivalent to a global turnover of \$2.6 trillion, which if vehicle manufacturing was a country, would make it the sixth largest economy in the world. This endeavour accounted for more than 8 million direct jobs, which is over 5% of the world's manufacturing employment. It is estimated that for every one direct job, 5 indirect jobs are created resulting in a worldwide employment for 50 million people in industries such as steel, iron, aluminium, glass, plastics, carpets, textiles and rubber. The automotive industry is also a major innovator, investing over \$115 billion in research, development and production. It also contributed over \$549 billion to government revenues (OICA 2011).

The automotive industry has also contributed significantly to the world of manufacturing, according to Mphalwa (2002), Lamprecht (2006), Kok (2008), cited by Govender (2010). Some of these contributions include: the mass production line of Henry Ford, Toyota's TPS Production System of lean manufacture (focusing on waste minimisation), Japan's just-in-time production system and Motorola's six sigma programmes.

It is evident that the automotive industry plays an extremely important role in the global economy and it too was also not spared from the difficulties posed by the economic crisis (Alhabsi and Syed Agil 2010). According to Alhabsi and Syed Agil (2010) Toyota, in 2010, forecasted an 80% decrease in profits and BMW posted a 78% decline in profits. Roberts (2010) reported that General Motors decided to close their manufacturing plant in Antwerp, Belgium, resulting in 2606 employees losing their jobs.

According to Powels (2009) governments recognized the importance of their respective automotive industries and intervened in the following ways to protect them from collapse:

- China - reduced automotive taxes
- India - reduced interest on automotive loans
- Russia - imposed 30% import duties on imported cars
- Japan - introduced scrapping allowance, offered incentives to adopt green technology
- Brazil - Reduction taxes on vehicles below 1 litre displacement and offered cheap auto financing
- Korea – offered tax incentives
- Malaysia – introduced stimulus packages, scrapping incentives

Shimokawa (2010) and Wells (2010) warned that the industry must deal with economic, safety and environmental challenges to avoid another disaster.

Although the USA was the epicentre of the economic crisis, it soon spread to Europe and the rest of the world (Naudé 2009). South Africa was unfortunately not spared.

2.4 The South African Economy and the Economic crisis

According to Nienaber (2007) South Africa is considered to be a free market system, with a sophisticated financial system but a third world social infrastructure Parsons (2008) argued that South Africans are familiar with headlines such as “global financial turbulence”, “CPIX inflation climbs even higher”, “fear strikes financial markets”, “Eskom’s on-off performance”, “rand weakening further”, “growth prospects declining”, “violent crime on the increase” and “economic policy to shift to the left”.

According to the World Trade Organization (WTO) (2011), South Africa’s GDP in 2009 was \$286 billion, with the biggest contributor being the service sector 20.9% (Statistics SA 2011). Other major economic drivers include mining, trade, investment and manufacturing (Stats SA 2011). In terms of merchandise trade South Africa was responsible for 0.49% share in world total exports and 0.58% of total imports. For commercial services trade South Africa was responsible for 0.34% share of the world’s exports and 0.45% of total imports (WTO 2011).

Unfortunately the South African economy has been characterized by extremely high unemployment rates, which is currently 25.7% (Stats SA 2011) and low economic growth (Rodrik, 2008). There are more than 4.1 million people unemployed (Selassie 2011) and South Africa only ranked 54th out of 139 countries in the World Economic Forum’s 2010-2011 Global Competitive Report.

The crisis made an already dire situation in South Africa even worse; more than one million jobs lost since end- 2008 (Selassie 2011).The poor continue to have limited access to economic opportunities and basic services (WTO 2011). The IMF, similarly to the South African Government, sees unemployment reduction as the foremost economic challenge facing the county (Selassie 2011).

The IMF has concerns over South Africa’s global competitiveness and its dependence on Europe, as its main trading partner. Any slowdown in Europe will hurt the manufacturing exporters (IMF 2011), such as the automotive industry. The industry’s exports to Europe in 2010 were worth R33.1 billion (Goosen, 2011)

With the South African economy in such a precarious position it is imperative that major contributors like the automotive industry survive and continue to grow (Barnes and Morris 2008).

2.5 The South African Automotive Industry and its response to the economic crisis

According to The National Association of Automotive Component and Allied Manufacturers (NAACAM), the South African automotive sector has become much more integrated into the global industry since 1995, as trade barriers began to fall (NAACAM 2011). According to Barnes and Morris (2008) the automotive industry can be categorised into 3 distinct sectors: Original Equipment Manufacturers (OEM's), who manufacture the vehicles and distribute to the final consumer. The next sector consists of the automotive component manufactures, which produce parts and accessories for use by the OEM's. The last sector consists of the independent aftermarket manufacturers and distributors of parts and accessories.

The industry plays a pivotal role in South Africa's economy with regard to exports, employment and tax revenue (Bester, 2010). Barnes and Morris (2008) argued that the South African automotive industry is an example of an industry that can be classified as "nationally important but internationally unimportant". According to Table 2.1, in 2008, the South African automotive industry only accounted for 0.8% of global production (OICA, 2011)

Rank	Country	Passenger	Commercials	Total	%
1	Japan	9,916,149	1,647,480	11,563,629	16.4%
2	China	6,737,745	2,607,356	9,345,101	13.3%
3	USA	3,776,358	4,928,881	8,705,239	12.3%
4	Germany	5,526,882	513,700	6,040,582	8.6%
5	South Korea	3,450,478	356,204	3,806,682	5.4%
6	Brazil	2,561,496	658,979	3,220,475	4.6%
7	France	2,145,935	423,043	2,568,978	3.6%
8	Spain	1,943,049	598,595	2,541,644	3.6%
9	India	1,829,677	484,985	2,314,662	3.3%
10	Mexico	1,241,288	949,942	2,191,230	3.1%
Subtotal		39,129,057	13,169,165	52,298,222	73.4%
24	South Africa	321,124	241,841	562,965	0.8%
	Other	13,790,825	4,617,532	18,408,357	25.8%
Total		53,241,006	18,028,538	71,269,544	100%

Table 2.1 Comparative size of the South African Automotive Industry

Adapted from OICA (2011)

According to Table 2.1, when compared globally South Africa only ranked 24th in terms of the number of vehicles manufactured annually. The automotive industry is dominated by countries in Asia, Europe and North and South America. However in terms of its national importance, the South African automotive industry was responsible for over 7% of South Africa's GDP (Figure 2.1)

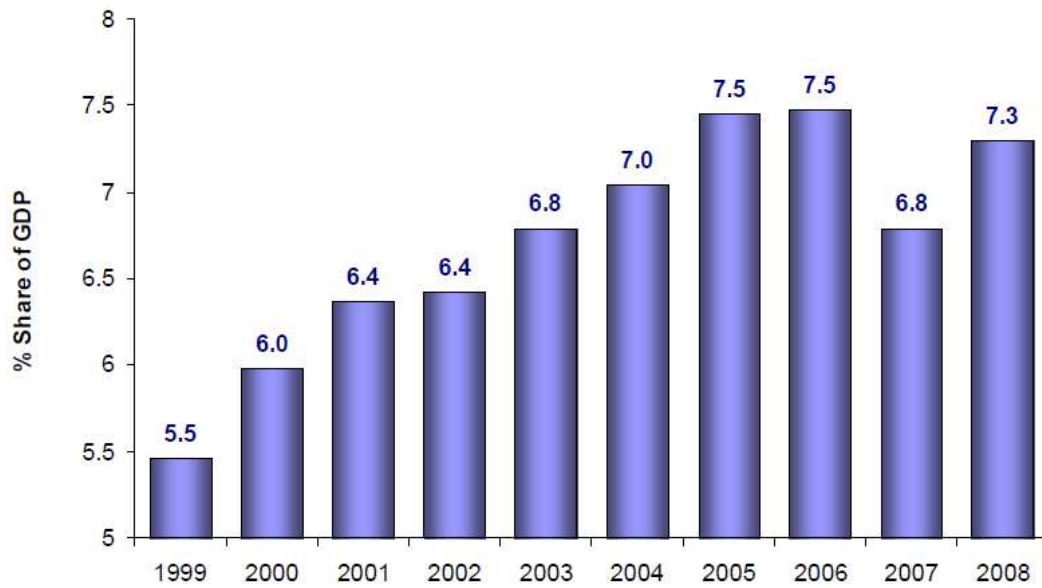


Figure 2.1 Automotive sector share of the GDP

Adapted from NAAMSA (2011)

As indicated by Figure 2.2 the automotive industry in South Africa provides significant employment.

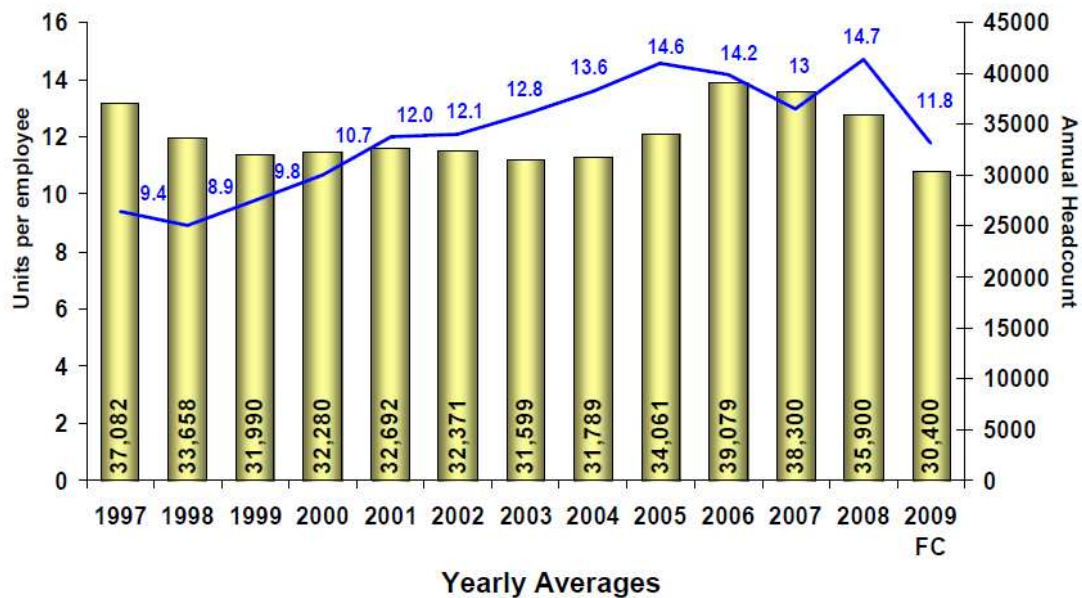


Figure 2.2 Number of employees in the OEM sector of the automotive industry

Adapted from NAAMSA (2011)

According to NAAMSA (2011), employment in the automobile manufacturing industry currently amounts to approximately 30 000 persons whilst employment in the component manufacturing industry is of the order of 81 000 employees, making the industry one of the largest employers in the manufacturing sector. Total employment in the trade area, namely in the vehicle sales and vehicle maintenance and servicing field, currently amounts to about 200 000 persons. Also, because the industry provides employment in many other areas, such as logistics, the influence that the industry has on South Africans is considerable.

According to NAAMSA (2011) there has been a gradual increase in the number of vehicles manufactured domestically, for local and export markets. Table 2.2 shows the automotive sector's export as a percentage of South Africa's total exports.

	1995	2000	2007
Total SA Exports (R Billion)	102.1	210.4	494.4
Total Automotive Exports (R Billion)	4.2	23.4	67.6
Automotive Exports as a % of Total SA exports	4.1%	11.1%	13.7%

Table 2.2 Automotive exports as a percentage of total SA exports

Adapted from AIEC (2011)

According to the Automotive Industry Export Council (2011) automotive exports accounted for 13.7% of South Africa's total exports. There has been a significant increase in foreign ownership and all OEMs are now wholly or mainly owned by multinational firms. According to NAACAM (2011), the South African motor industry has developed considerably during the past 55 years and has evolved from initially an importing industry into an increasingly self-sufficient industry. Much of the credit for the industry's growth can be attributed to the government's Motor Industry Development Programme (MIDP).

The MIDP has been recognized around the world as one of the most successful and innovative country strategies to develop automotive manufacturing (Broadman 2007). According to NAACAM (2011), the main aim of the MIDP is to improve the automotive industry's global competitiveness and stabilize employment (Madani and Mas-Guix 2011), by encouraging the domestic motor vehicle assemblers (OEMs) to specialise in a few high volume products, thereby obtaining economies of scale benefits to export competitively. The approach also assists the component suppliers to optimize their product ranges and in increasing volumes. Exports are encouraged by a phasing down of tariffs, removal of local content requirements, duty free imports of components up to a certain percentage of the wholesale value of the vehicle and duty rebate credit earned on exports. So OEMS can earn credits by exporting locally manufactured vehicles and components. These credits can be used to import other vehicles and components. The programme has been revised several times and the latest revision in 2008 resulted in the name of the programme being changed to "Automotive Production and Development Programme (APDP) (Madani and Mas-Guix 2011). The aim of the APDP is to stimulate production of 1.2million vehicles by 2020 and to be comparable with major competitors and consistent with World Trade Organisation (WTO) rules (Makapela 2008).

Like most industries, the South African automotive industry was also negatively affected by the global economic crisis. It is evident from figure 2.3 that there was a significant decline in sales in 2009, following the crisis.

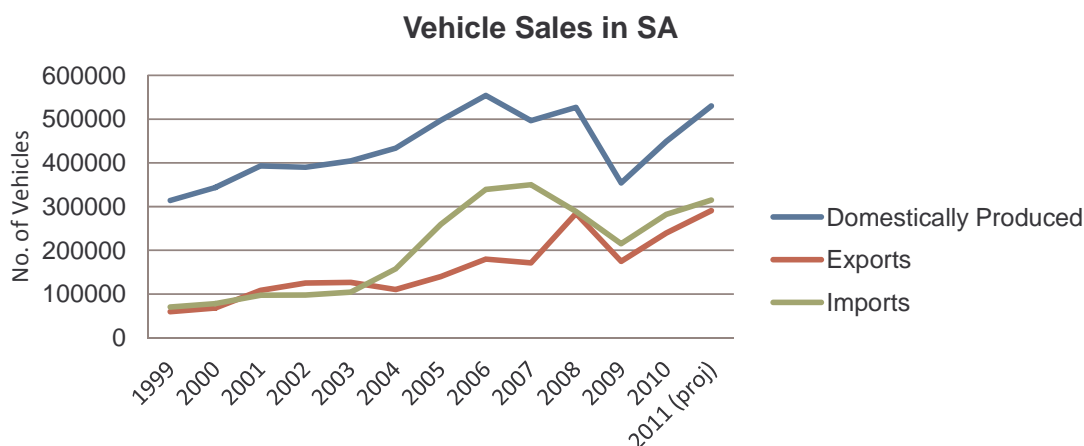


Figure 2.3 Vehicle Sales in South Africa

Adapted from NAAMSA (2011)

In 2009 capital expenditure declined as a result of the global financial and economic crisis (Table 2.3). Various projects were either cancelled or deferred. The increase in capital expenditure during 2010 and 2011 may be attributed to OEMs preparing to take full advantage of the impending APDP (NAAMSA, 2011).

CAPITAL EXPENDITURE IN R MILLIONS				
Year	Product/Local/Content/Export Investment/ Production Facilities	Land and Buildings	Support Infrastructure (I.T., RandD, Technical, etc.)	Total
2000	1 311,2	109,7	140,6	1 561,5
2001	1 800,1	33,3	244,9	2 078,3
2002	2 311,4	152,0	262,4	2 725,8
2003	1 989,4	141,5	193,9	2 324,8
2004	1 816,3	129,6	273,7	2 219,6
2005	2 805,3	512,1	258,7	3 576,1
2006	5 058,1	758,0	398,8	6 214,9
2007	2 458,7	382,4	254,4	3 095,5
2008	2 807,7	329,1	153,1	3 289,9
2009	2 215,9	178,7	74,1	2 468,7
2010	3 351,1	441,2	202,4	3 994,7

Table 2.3 Capital Expenditure

Source: NAAMSA (2011)

Madani and Mas-Guix (2011, p.5) argued that although the impact of the MIDP on the South African automotive industry has been significant and successful, the effectiveness of this type of tax incentive policy decreases with time. Kaplan, cited by Madani and Mas-Guix (2011), argued that the automotive industry has not improved its productivity as a result of the protection offered by the MIDP. NAAMSA (2011) warned of:

- The support measures being offered by other automotive manufacturing countries
- The increase in imported vehicles being sold in South Africa; 66% of new cars sold in South Africa in 2010 were imported (Goosen, 2011) and of
- The anticipated slow global growth, which will have a negative impact on exports from the automotive industry.

Some of the actions taken by the South African automotive industry to limit the damage caused by the crisis included:

- Focussing on cost reductions (Gabru 2009)
- Cutting back in production, due to a massive overstock situation (Van Zyl 2009)
- Reducing staff numbers through retrenchment, voluntary retrenchment and early retirement packages (Gabru 2009)
- Considered re-training and re-skilling of workers as an alternative to retrenchments (Van Zyl 2009)
- Trying to diversify markets away from its reliance on the European and US markets (Gabru 2009)
- The government also agreed to a number of support packages for the motor industry (Van Zyl 2009)

De Waal and Mollema (2010) argued that generally organizations respond to a crisis by:

- reducing costs (e.g. deferring investments, reducing inventory, cutting back on discretionary expenses)
- focusing on core operations (e.g. invest only in core operations)
- downsizing (e.g. divest in the organization's loss making or marginally profitable operations)
- strengthening the internal organization (e.g. improve quality of management and staff and focusing on innovation)
- focusing on increasing turnover and profit margins (e.g. streamline sales process, review product range and focus on pricing)
- exploiting opportunities (e.g. enter partnerships to enhance core operations and launch new products and services to take advantage of competitors who are focussing on defensive measures)

The automotive industry, being an integral part of the South African economy, will have to find innovative ways to survive and succeed in the global business stage. The role of organizational leaders has become more critical. Young (2009) argued that an economic crisis makes it tough for everyone – large corporations, small companies, non-profit organizations and individuals. According to Recardo (2011) business leaders may not have faced the extent of challenges. According to Young (2009) an additional challenge to business leaders was dealing with the pressure that employees were also feeling. As opposed to being most focussed and efficient and productive, employees were instead preoccupied with anxiety and stress.

2.6 Nature of Leadership

Kreitner and Kinicki (2008, p.463) defined leadership as “a process whereby an individual influences a group of individuals to achieve a common goal”. Leadership focuses on goal achievement and involves altering motives and perceptions (Mumford 2010). Leadership occurs at an individual level involving mentoring, coaching and motivating and also in groups, resolving conflict and building cohesion and teamwork (Kreitner and Kinicki 2008).

A rapidly changing environment caused by globalization and technology has compelled businesses to adapt in order to survive and succeed (Nienaber and Roodt 2008). Leadership is a powerful tool, which can greatly increase the chances of survival and future success of an organization (Northouse 2010). These changes are not just limited to products, activities or structures but also an organization's values, mind-set and even its primary purpose (Van Wyk: 2007). According to Mumford (2010) ineffective leadership can have dire consequences for an organization and its stakeholders e.g. the unethical behaviour of the leaders of Enron led to a catastrophe for the organization and all its stakeholders. Leadership will result in members and resources in an organization becoming energized and focussed on the goals (Smit and Cronje' 1997).

Smit and Cronje' (1997) asserted that leadership is the activity that transforms a vision into reality. According to Arneson (2010), leadership entails creating a vision and a positive environment, where great things can happen and people can reach their full potential. Hamel (2007) argued that a leader's priority is to create more leaders. Williams (2007) argued that the most important task of a leader is to communicate the vision and the values of an organization. According to Fourie (2007) leaders must continuously reinforce this vision and value. The accepted vision must also contain the manner in which the organization honours human capital (Fourie 2007). This will ensure followers feel appreciated and will support this vision. Eigeles and Motzkin (2003) used the analogy of vectors in physics, to emphasize the importance of a leader aligning the entire organization towards its vision. When all vectors have the same direction, the resulting force is of maximum magnitude. However, if these vectors have diverging directions, it is possible that the resultant force is of a smaller magnitude than each separate vector.

The performance of any organization is directly related to the quality of its leadership. Leaders are at the forefront of the organization and set the tone and the culture for others to follow (Mumford 2010). Bates et al (2005), cited by Challenor (2008), argued that business leaders must have the ability to predict market trends and respond with the best decisions. Business leaders are judged by the success of their decisions. Leaders are expected to be able to think conceptually, understand social and economic trends, predict future trends and translate all this information in a simple plan of action that is accessible and understandable to all the members of

the organisation. Drucker, according to Kreitner and Kinicki (2008, p.472), suggested that leaders can improve their effectiveness by prioritizing the welfare of the organization rather than their own. Northouse (2010) argued that leaders have an ethical responsibility to attend to the needs and concerns of followers. Action plans should be developed that are concise and clearly specify the desired outcomes. Leaders must take responsibility for decisions (Kreitner and Kinicki 2008, p.472). According to Ehlers and Lazenby (2008) one of the barriers to strategy implementation is the lack of leadership and direction. It is the leader's responsibility not only to formulate a strategy but to also oversee its implementation.

2.7 The role of leaders in the workplace

According to Van Wyk (2007) the leader plays the role of a systems thinker, change agent, innovator, risk taker, servant and steward in an organization. Leaders are also coordinators, coaches, mentors and visionaries. Senge, according to Van Wyk (2007) suggested that leaders are designers, stewards and teachers. By thinking systematically, leaders are able to see the big picture, identify opportunities and threats, which are then shared with employees.

Challenor (2008) suggested that leaders do six things in an organization.

- I. Set values: leaders lead by example and establish the attitudes and behaviour patterns that are considered worthy of being followed and adopted by other people. E.g. If the leader is an eternal optimist, it is likely that the followers will be too.
- II. Motivate: they motivate people around them to strive to reach these values and the organisation's goals. Leaders make people around them want to succeed. The top management in contemporary organizations requires technical skills but more importantly social skills to motivate their employees (Fourie 2007).

- III. Instil confidence: leaders arouse confidence in their followers. Followers believe that they can achieve and reach the goals. According to Challenor (2008) Manning argued that the real key to sustained high performance requires that leaders not only make their people feel important but to make them important.
- IV. Leaders create their own successors.
- V. Leaders acknowledge that work is in competition for attention with other parts of employees' lives. Leaders know that people acquire their status in society from work, and set out to enhance, not diminish, that status.
- VI. Leaders never get tired, neither of themselves nor of their cause. They are great optimists and will persevere through all the challenges they face.

According to Van Wyk (2007) leaders fulfil the critical roles of a systems thinker, change agent, innovator and risk taker, servant and steward, coordinator, coach and mentor and visionary in an organization.

According to Ehlers and Lazenby (2008), leadership is one of the key drivers of strategy. A strategy does not just happen. A visionary within the organization needs to visualize where the organization needs to be, in an ideal state and be prepared to guide the organization, giving it direction and purpose. Leadership drives strategic change. Manning, according to Challenor (2008, p.12) said leaders are thinkers as well as doers.

Ehlers and Lazenby (2008, p.221) also argued that a leader not only has the responsibility of developing the vision for the organization but also to articulate this vision to all stakeholders of the organization. Leaders have to motivate employees to achieve organizational goals and together with top management develop reward systems and organizational structures. Leaders are also responsible for creating a corporate culture and ensuring good corporate governance.

One of the keys to leadership is power. There are various forms of power which are at the disposal of a leader.

2.8 Key to Leadership: Power

Leadership can affect the perceptions, beliefs, attitudes, motivation and behaviour of others, without using force or coercion, thus helping to meet organizational goals (Griffin and Moorhead, 2010). According to Jones and George (2008) power is one of the key components of leadership. Jones and George (2008) argued that effective leaders use the correct levels of each of the following types of power for maximum benefit:

- **Legitimate power:** refers to the authority that the organisation grants to a particular position. E.g. in line with the structure of a company the CEO will possess more legitimate power than a line manager.
- **Reward power:** rewards can be tangible (e.g. an increase in pay and bonuses) and/ or intangible (e.g. verbal praise, recognition). A leader's ability to reward or withhold a reward influences the motivation of employees. Leaders can reward an employee in recognition of his/her outstanding contribution or withhold rewards to affect more control.
- **Coercive power:** the power to ensure compliance through fear, either psychological or physical. Leaders can choose a variety of punishments such as withholding bonuses, pay increases or verbally reprimanding the worker. Leaders need to be cautious when exerting this power as this could lead to low morale, resentment or even retaliation.
- **Referent power:** refers to personal power; people follow the leaders because they like, admire, respect or identify with him/her. Charismatic leaders possess high levels of referent power.
- **Expert power:** power based on special knowledge and expertise.

2.9 Leadership theories

2.9.1 Trait Approach

According to Jones and George (2008), trait theorists believed that effective leaders could be associated with particular traits. Kreitner and Kinicki (2008) defined a leader trait as “a physical or personality characteristic that distinguishes a leader from a follower”. Kreitner and Kinicki (2008) identified the following traits as the most desirable for effective leaders: intelligence, dominance, self-confidence, level of energy and activity, task-relevant knowledge, honesty, forward-looking, inspiring, competent, emotionally intelligent and conscientiousness.

2.9.2 Behavioural Approach

Jones and George (2008) stated that when it was realized that there was no definite correlation between effective leaders and traits, the focus shifted to the behaviour patterns of effective leaders.

However, it was realized that there was no fixed pattern of behaviour for all situations. Different situations called for different styles of leadership.

2.9.3 Contingency Model

According to Jones and George (2008, p.568) the contingency model proposes that the situation determines whether a leader, who possesses certain traits or performs certain behaviours, is effective. Fiedler, according to Kreitner and Kinicki (2008) identified two basic leader styles that a leader could characteristically adopt viz. relationship-orientated leaders (where the leader prioritizes his/her relationship with his/her subordinates) and task-orientated leaders (focus is on the quality of work and on the completion of tasks). Fiedler also described the situations that leaders will be most effective in. House's Path Goal Theory, according to Kreitner and Kinicki (2008) describes how effective leaders motivate their followers. The behaviours that effective leaders adopt are dependent on the nature of the subordinates and the work they do. Leaders Substitutes Model describes when a leader is unnecessary.

Whether or not leadership is necessary for subordinates to perform to the highest possible standard is dependent on the situation and the characteristics of the subordinates. Skills, abilities, experience, knowledge and motivation of subordinates can possibly result in a leader being unnecessary (Jones and George 2008).

2.9.4 Full Range Model of Leadership

The Full Range Model of Leadership is a contemporary leadership model. This model encompasses leadership behaviour from laissez-faire to transactional to transformational (Kreitner and Kinicki 2008).

Laissez-faire leaders generally fail to take responsibility to lead. This type of leadership should be avoided. Transactional and transformational leaders are more desirable. It was noted that followers reacted favourably to leaders who displayed characteristics of both these types of leadership (Kreitner and Kinicki 2008).

2.9.5 Transactional Approach

According to Kreitner and Kinicki (2008, p.479) transactional leaders focus on clarifying what is expected of employees. Daft (2003) argued that transactional leaders excel at management functions. They provide structure and subordinates know what is expected of them. This results in increased productivity. Subordinates are rewarded accordingly.

A famous transactional leader is the late Steve Jobs, who was the head of technology and innovation giant, Apple Computers. Steve Jobs was known for his down to earth and task oriented nature of his leadership. He was also notorious for not hesitating to reprimand employees when they failed to meet his expectations (www.leadersmag.com)

2.9.6 Transformational Approach

Seidman and McCauley (2011) argued that most managers live in a transactional world, pressured daily to meet operational excellence, in organizations that believe that all work can and should be reduced to a measurable transaction. However, intense transactional focus reduces an organization's ability to adapt to new markets, competitors and products (Seidman and McCauley 2011). According to Bass and Riggio, cited by Seidman and McCauley (2011), transformational leadership can be correlated with long term high performance. Pink (2009), according to Seidman and McCauley (2011), argued that thinking and acting transformationally actually leads to transactional excellence.

According to Jones and George (2008) transformational leaders are charismatic and stimulate subordinates intellectually. According to Kreitner and Kinicki (2008), transformational leaders transform followers by appealing to followers' values and personal identity. As a result, according to Jones and George (2008, p.577) followers are highly motivated and realize the importance of their jobs and performing at the highest level. They are aware of their own needs for growth, development and accomplishment and share in the responsibility to achieve organizational goals.

An example of a transformational leader is former mayor of New York, Rudy Giuliani, who according to Northouse (2010) was critically acclaimed for his impeccable handling of the 911 crisis in New York. Northouse (2010) argued that the Mayor displayed all the attributes of an outstanding leader with sheer intelligence, foresight, strength, commitment and decisiveness. He showed empathy for people and fostered a collaborative spirit by his repeated expressions of appreciation for the contributions of others. He displayed a sense of command, took control and communicated clearly, without ambiguity.

2.9.7 Emerging Leadership Approaches

According to Northouse (2011) there are a few new approaches to leadership that are emerging. Among these are **authentic leadership** that looks at the authenticity of leaders. This approach is currently receiving strong support. **Spiritual leaders** use

values and a sense of calling to motivate followers. ***Servant leadership*** emphasizes the “caring principle” with leaders as “servants” who focus on their followers needs thereby enabling followers to be more independent, knowledgeable and like servants themselves.

2.10 Leadership Styles

Vroom and Jago, according to Hellriegel and Slocum (2007) argued that when leaders assess any situation and the pertinent leadership style is adopted correctly, competent decisions are made. According to Northouse (2011) there are three types of leadership viz. authoritarian, democratic and laissez-faire. Mumford (2010) advocated “Leadership versatility – matching your role/leadership style to the situation”

The autocratic leader will make the decisions, tell employees what to do and then closely supervise them. The democratic leader will encourage participation in making decisions, works with employees to determine what needs to be done and allows employees more freedom and independence (Van Wyk 2007). Cockerill, Schroder and Hunt, according to Van Wyk (2007) argued that autocratic leadership behaviour was most suitable in stable environments. Transformational leadership behaviour which encouraged creativity and the initiative of its employees is more successful in competitive, changing environments.

2.10.1 Democratic Leadership Style

Democratic leaders work with their subordinates. They treat subordinates as equals, with everyone having a say. Subordinates are respected and trusted to do their jobs at the highest level. They are given guidance and information and are encouraged to reach their personal goals. This type of leadership results in greater motivation, cohesion and creativity. (Northouse 2011).

2.10.2 Laissez-faire Leadership Style

According to Northouse (2011) laissez-faire leaders adopt a hands off approach to leadership. They do not control their subordinates nor do they provide any guidance or nurturing. They engage in minimal influence. This leadership style results in low levels of motivation and productivity. Subordinates do not have any direction and this leads to frustration and chaos.

2.10.3 Autocratic Leadership Style

According to Daft (2003) an autocratic leader is one who tends to centralize authority and rely on legitimate, reward and coercive power. Mayer (2007) argued that autocratic leaders have absolute power over their subordinates. This is an extreme type of transactional leadership. Autocratic leaders adopt a top down approach to communication and do not consider subordinates as equals. This results in low levels of motivation which could possibly result in high staff turnover.

According to Northouse (2011) although there is no guarantee of success, the chances of being a successful leader improves by possessing certain leadership traits.

2.11 Leadership Traits

Smith, according to Challenor (2008), asserted that business leaders tended to show a consistent set of traits: they were energetic, tenacious, assertive, proactive, honest, trustworthy, well-organised, intelligent, verbally fluent, self-confident, interpersonally-skilled and commercially astute.

The authors Marx *et al*, according to Challenor (2008) argued that a leader should have the following personal characteristics and value system: a healthy outlook on life, a willingness to serve, unselfishness, enthusiasm, drive, self-confidence, humility, courage, purposefulness, willpower, flexibility and adaptability, a creative imagination, visionary initiative and indisputable integrity.

According to Jones and George (2008) effective leaders possess the following traits and personal characteristics:

- Intelligence: improves problem solving and understanding of complex issues
- Knowledge and expertise: improves decision making, effectiveness and efficiency
- Dominance: leaders are able to influence workers to achieve organizational goals
- Self-confidence: gives leaders the belief that they can overcome any challenges
- High energy: helps leaders cope with the stress and high demands of their jobs
- Tolerance for stress: helps leaders make difficult decisions and deal with uncertainty
- Integrity and honesty: does not compromise herself/himself or the organization. Maintains trust, respect and confidence.
- Maturity: helps leaders consider the well-being of everyone in the organization, control their emotions. Leaders with a high degree of maturity are happy to be held accountable for bad decision making or other mistakes made.
- Down to earth
- Nurturing of employees and talent
- Decisive
- Visionary

Ehlers and Lazenby (2008:218) argued that leaders all have a high degree of emotional intelligence. The level of emotional intelligence explains why someone without exceptionally high technical and intelligence skills can still become an outstanding leader. Whilst it is important to recognize the traits of good leaders, it is also important to take cognisance of some of the traits associated with a bad leader. Kellerman, according to Kreitner and Kinicki (2008:468) identified key traits of ineffective leaders. These include:

- Incompetent – the leader just lacks the skills to be a good leader

- Rigid – the leader is not flexible enough and is unwilling to take on new ideas
- Intemperate – the leader has no self-control
- Callous – the leader is uncaring and is not concerned about the needs and wants of his/her subordinates
- Corrupt – the leader puts self-interest first and lies, cheats and steals
- Insular – the leaders is only concerned with health and welfare of those within his group or organization that he is responsible for.
- Evil – the leader physically and/or psychologically abuses people. They use pain as an instrument of power.

Northouse (2011, p.7) also identified the following negative leader attributes: loner, irritable, ruthless, anti-social, non-explicit, dictatorial, non-cooperative and egocentric.

2.12 Leadership vs. Management

It is generally accepted that management and leadership play a vital role in the competitiveness and effectiveness of organizations (Griffin and Moorhead, 2011). Although management and leadership are related, they are not the same (Nienaber and Roodt, n.d.). According to Challenor (2008) it is crucial to recognize what positions in the hierarchy call for a leader or a manager. Some positions - and some departments - at some times call for a leader or alternately a manager. The great skill is to know the difference and as a leader to make the right call. Making the wrong call will simply exacerbate the challenges facing the company.

While there are differences between management and leadership, it is important for an organization to have excellence in both (Haw, n.d.). Haw argued that excellent leadership also inspires excellent management of the day to day activities involving market analysis, resource allocation, finance control etc. According to Birkinshaw, who was cited by Haw (n.d.), the most effective executives are good leaders and managers. Leadership and management complement each other. Ehlers and Lazenby (2008) argued that both good leadership and management skills are required to react to changes in the global business environment.

2.13 Summary

It is not surprising that there is a great amount of interest in the recent financial crisis which engulfed the world. Post mortems are still being conducted and lessons learnt are being documented. Governments have reacted with financial aid and new fiscal and monetary controls while organizations have reviewed budgets and expenditure. But what about the employee? How do business leaders guide their employees through these stressful times while at the same time achieving the best possible results for the organization? There is a dearth of academic literature of how leaders of organizations should lead employees through an economic crisis. South Africa with unacceptably high levels of unemployment can ill afford a collapse of its South African automotive industry, a major player in the manufacturing sector. The challenge is for the industry to improve its productivity and global competitiveness and grow, while still being labour intensive.

Chapter 3 sets out the research methodology used in the study. The research problem, aims, objectives of the study, sampling and data collection techniques are described.

CHAPTER THREE

Research Methodology

3.1 Introduction

The preceding chapter provided justification for further research to be conducted on leading employees in the automotive industry during an economic crisis. Bryman and Bell (2007) suggested that management and business research is conducted in order to understand how organizations work, improve the effectiveness and efficiency of the organization and to understand the impact on individuals and society. Herbst and Coldwell (2004) argued that business research helped provide information for sound decision making and problem solving. According to Cooper and Schindler (2006), research involves enquiry, investigation, examination and experimentation. Good research depends on careful planning and a systematic way of collecting, collating and analysing data. According to Bryman and Bell (2007) good research results in reliable, replicable and valid conclusions. This chapter focuses on the various research methods employed in this study as well as the logic behind why those methods have been chosen.

3.2. Research Methodology

Krishnaswamy, Sivakumar and Mathirajan (2006) defined research as “a systematic, self-critical enquiry”. Research methodology involves the logical analysis and selection of the most relevant research method for the study (Kothari 2008).

According to Kothari (2008) the objectives of research may fall into the following broad categories of research studies:

- Exploratory or formulative - to gain familiarity or new insights into a phenomenon

- Descriptive – to accurately describe the characteristics of a particular individual, situation or group
- Diagnostic – the frequency with which something occurs or which is associated with something else
- Hypothesis testing – to test a causal relationship between variables. Research will result in either confirming or disproving the hypothesis.

Kothari (2008) argued that the basic types of research may be:

- i. Descriptive vs. analytical: This type of research includes surveys (which includes using comparative and correlation methods) and various kinds of fact finding enquiries. The researcher has no control of the variables and can only report what has happened or the current state of affairs (Kothari 2008). In analytical research, the researcher has to use and analyse the information already available to make an evaluation of the material.
- ii. Applied vs. fundamental: Applied (or action) research aims at finding a solution for an immediate problem, whereas fundamental or basic research is done to add to the body of knowledge which is concerned with generalisations and formulation of theory (Kothari 2008).
- iii. Quantitative vs. qualitative: Bryman and Bell (2007) defined quantitative research as “a distinctive research strategy, described as entailing the collection of numerical data and as exhibiting a view of the relationship between theory and research as deductive, a preference for a natural service approach, and as having an objectivist conception of social responsibility.’ Quantitative research involves things that can be counted or measured (Fox and Bayat 2007). For example, in quantitative research, the data is gathered through structured questions in a questionnaire which can be measured and analysed (Kothari 2008). Qualitative research scientifically explains motives behind human behaviour and matters associated with them (Fox and Bayat 2007). According to Sekaran and Bougie (2010) qualitative data is obtained and generated from interviews,

responses to open ended questions, through observation and available information gained from various sources.

- iv. Conceptual vs. empirical: Conceptual research is based on some abstract idea(s) or theory, whilst empirical research relies on experience or observation.

The literature review in chapter two provided the foundation for the empirical research. The study will be descriptive in nature. This study also falls within the bounds of the ex post facto design because there was no control over the variable being researched. According to Cohen, Manion and Morrison (2007) ex post facto literally means “from what is done afterwards” Thus a natural event that has already occurred is being examined and retrospectively studies the effects of this event on a subsequent outcome with a view of establishing a causal link between them. Since the rigorous experimental method is not possible, an ex post facto design is more appropriate. This study may result in a hypothesis which can subsequently be tested by a more rigorous experimental method (Cohen et al 2007). Since this survey also represents a snapshot in time, it can be considered as a cross-sectional study (Bryman and Bell 2007). This study may also be classified as a quantitative study because it tries to statistically explain a causal relationship between two or more variables (Bryman and Bell 2007).

3.3 Ethical Issues

Cooper and Schindler were cited by Herbst and Coldwell (2007) as asserting that ethics is made up of norms and standards of behaviour that guide moral choices about our behaviour and our relationship with others. Ethics ensures that the rights of individuals are upheld and that no one is harmed or suffers any adverse consequences from research activities.

Data for this study was only collected once the relevant gatekeeper's letter was obtained and ethical clearance was received from the Ethics Committee of the University of KwaZulu Natal.

3.4. Aim and Objectives of the Study

The aim of a study is an overall statement of the thrust of the study. It also includes the main relationships and associations the researcher wishes to discover in the study. Objectives are the clear and specific goals the researcher sets out to achieve in the study (Kumar 2005).

3.4.1 Aim

The aim of this study is to determine if leaders in the automotive industry should adopt a specific leadership style to manage employees during an economic crisis.

3.4.2 Objectives

The objectives of this study are:

- To establish the manner people were managed by the organization prior to the economic crisis
- To establish the changes made in managing people during the economic crisis
- To establish if it is necessary to adopt a different management style in an economic crisis
- To determine the response of employees to these changes
- To ascertain managers' awareness of the management style that employees prefer
- To ascertain the likelihood of employees leaving the organization as a result of management style
- To determine if the expectations of employees change during an economic crisis

3.5 Constraints

The four month period allocated for this study was the main constraint identified. As a result the relevant target population, the type of research to be employed and the research instrument to be used was such that the data could be collected and analysed within the time constraints.

3.6 Sampling

Herbst and Coldwell (2004) defined sampling as “the act, process or technique of selecting a representative part of a population for the purpose of determining parameters or characteristics of the whole population”. A sample can constitute a set of respondents (people) selected from a larger population for the purpose of a survey. According to Cohen et al (2007) research can fail if the inappropriate sampling strategy is implemented.

According to Herbst and Coldwell (2004) the reasons for sampling are:

- Economy (taking a sample requires fewer resources than a census)
- Timelines (a sample provides you with needed information quickly; quicker than a census)
- The large size of many populations (physically impossible to conduct census)
- The inaccessibility of some of a particular population
- Accuracy/precision - Sampling results in efficient and accurate data collection.

Bryman and Bell (2007) suggested that in deriving a truly representative sample, the researcher should attempt to minimize bias. Bias means that the population is not represented which affects the quality of the research. Three sources of bias were identified:

- i. If a non-probability or non-random sampling method is used – this can result in some members of the population being more likely to be selected than others

- ii. If the sampling frame is inadequate – the listing of all units in the population from which the sample is drawn is not comprehensive or is inadequate and therefore cannot represent the population.
- iii. If there is a non-response – meaning that if the difference between respondents and non-respondents are significant, the results of the study could be biased.

Sampling rather than a census was considered for this study. With over 200 000 employees in the South African automotive industry (NAACAM 2011), located throughout South Africa a census would be too expensive and time consuming; therefore it was decided that sampling would be more appropriate.

3.6.1 Population

According to Herbst and Coldwell (2007, p.74) a population “is a group of individual persons, objects or items from which samples are taken for measurement”. The target population for this study consisted of employees of two of the leading suppliers (in terms of turnover, number of employees, number of parts supplied and investment by OEMs) in the South African automotive industry. These companies are located in Pinetown, Durban and employ approximately 1500 staff. They are first tier suppliers to the following OEMs: Toyota, General Motors, VW, Mercedes Benz, BMW, Land Rover, Nissan and Ford. Based on the target population’s responses, the researcher attempted to draw conclusions and generalisations there from.

3.6.2 Sample

Samples may be selected using a probability or a non-probability approach. A probability sample uses random selection with each unit having an equal chance of being selected, which will have the same composition and characteristics of the population. The aim of probability sampling is to minimize sampling error. The advantage of probability sampling is that it makes it possible to generalize findings from the sample to the population (Bryman and Bell 2007).

Due to time and cost constraints, probability sampling was considered inappropriate for this study.

A sample where some units have a greater chance of being selected than others is known as a non-probability sample. It is not possible to generalize the finding of a non-probability sample since we do not know what population this sample is representative of (Bryman and Bell 2007).

This study relied on available subjects. The sample was selected by virtue of its accessibility. This type of non-probability sampling can be termed convenience sampling (Bryman and Bell 2007). Cooper and Schindler was cited by Herbst and Coldwell (2004) as arguing that convenience sampling was the least reliable but is normally the cheapest and easiest to conduct. According to Adler and Clark (2011, p.126) convenience sampling can yield “plausible and provocative results but the temptation to generalize beyond the samples should be tempted with considerable caution”.

A sample population of 125 employees, who had internet access readily available in their offices, was selected to participate in this study. This group comprised employees from various hierarchical levels in the two selected organisations, ranging from junior to senior members of staff. This can be classified as cross sectional research whereby different individuals at different levels of development are studied simultaneously (Fox and Bayat 2007). The prerequisite being that they all had access to the internet. All participants consented to participating in this study. A total of 74 participants attempted the survey, and 52 completed the survey within the data collection period of 2 weeks. The latter figure represents a response rate of 42%.

The next step is selecting the appropriate method for collecting data.

3.7. Data Collection Strategies

The research instrument that was used for this study was a self-administered questionnaire. The key reasons for the decision to use a self-administered questionnaire were based on the following factors (Bryman and Bell 2007):

- Self-administered questionnaires allowed access to the entire sample population
- Once data was obtained; the data could be analysed conveniently using data analysis software
- The researcher's bias could be eliminated and answers by respondents could not be influenced in any way
- By having predetermined questions and answers to statements, uniformity could be established
- Respondents could complete the questionnaire at their convenience within the data collection period
- Cheaper and quicker to administer
- Absence of interviewer effects and variability

Bryman and Bell (2007) listed the following disadvantages of self-completion questionnaires as compared to structured interviews:

- Respondents cannot be prompted and as such will not be able to clarify any ambiguity that may arise due from the instructions or the questions asked;
- There is no opportunity to ask probing questions and hence get a more elaborate answer;
- Should respondents perceive the questions to be boring and non-salient, they are more likely to ignore or abort completing the questionnaire;
- Should there be many open ended questions the respondent is more likely to ignore or abort completion of the questionnaire;
- Additional data cannot be collected and the research can thus not ask any other questions for clarity;
- There is a greater risk of missing data and partially completed questionnaire;

- Should postal questionnaires be used, the researcher is often not able to determine whether the actual intended respondent completed the questionnaire, as often this is delegated to other family members/individuals;
- There is generally a lower response rate to questionnaire than to interviews

However, structured interviews were deemed impracticable for this study due to time constraints and accessibility of the sample population. The questionnaire comprised of only closed-ended questions.

The following guidelines, provided by Leedy and Ormrod (2005), were considered when constructing the questionnaire. The design of the questionnaire ensured that:

- The questions were unbiased
- The wording of questions within the measurement tool did not predetermine the answers to the research question
- The content focused on the research objectives
- Encouraged respondents to answer all questions
- Left the respondent with a positive attitude about participating in the study

The questionnaire used the following rating scales:

- Multiple choice questions, eliciting a single response.
- The multiple choice, multiple response scales offer the respondents to select one or several alternatives. Cooper and Schindler (2006) stated that the cumulative feature of this scale can be beneficial when a complete picture of the participant's choice is desired, but may present a problem when researchers expect the responses to sum to 100 percent. Where applicable, the "other" category offers the subjects the freedom to include an alternative not considered by the researcher.
- The Likert scale, which is the most frequently used variation of the summated rating scale, was used to express either a favourable or an unfavourable attitude toward the object of interest (Cooper and Schindler 2006). The Likert scale used in this study was designed to examine how strongly respondents

agreed or disagreed with a statement on a five point rating scale. Thus the respondents were able to choose one of five alternatives which were anchored to 1 (Strongly Disagree) to 5 (Strongly Agree). An advantage of the Likert scale is that it is easy and quick to construct in which a number of different statements can be listed which does not take up much space, and it is simple for the respondent to complete (Cooper and Schindler 2006).

Once the questionnaire was constructed and the rating scales selected a pilot study was conducted.

3.8 Pretesting and Validation

Schwab (2005) argued that since questionnaire construction remains an imprecise research process, it is recommended to conduct a pilot test to obtain as much information as possible. Pilot tests may help increase response rates and obtain more valid responses on the final questionnaire.

A pilot study was conducted amongst five colleagues to check content, validity, interpretability and structure of the questions in the questionnaire. Feedback received from the questionnaire resulted in the question pertaining to the different management styles being amended to include an explanation of each management style. The options for the final question were also amended for validity. Respondents also confirmed that it took approximately 10 minutes to complete the questionnaire.

The questionnaire was posted on web based online software Question Pro and thereafter an explanatory e-mail, which included the URL link to the questionnaire, was sent to the targeted employees in the companies. The researcher opted for the online data collection method since it offered convenient access to the sample population and reduced the time required to administer the questionnaire. Question Pro can also automatically code and capture the data thereby saving time and eliminating the risk of making errors when manually downloading the data.

After one week, a reminder e-mail was sent to the participants. The progress report available on Question Pro was accessed to monitor the response.

3.9 Analysis of the Data

The data collected from the questionnaire was exported from Question Pro to the software package Statistical Package for Social Sciences (SPSS) Version 19, for analysis. SPSS is capable of descriptive and inferential data analysis. According to Menter, Elliot, Hulme and Lowden (2011) data preparation is the first step of data analysis. This process includes:

- Comprehensive record keeping – done by Question Pro and SPSS
- Data checking for accuracy – “a quality assurance check” (Menter et al., p.198). Each variable should be checked for outliers and other erroneous entries.
- Constructing a database – done by Question Pro and SPSS
- Transforming the data

Menter et al (2011) argued that failure of the researcher to ensure that the data collected is reliable and error free causes serious implications for the validity of the study.

3.9.1 Reliability

Bryman and Bell (2007, p.731) defined reliability as “the degree to which a measure of a concept is stable”. The measure of a certain concept must be consistent. The test-retest method can be used to check for reliability. However due to the constraints of the study this check was not done. Internal reliability is another key issue of reliability (Bryman and Bell 2007). Bryman and Bell (2007, p.728) defined internal reliability as “the degree to which the indicators that make up a scale are consistent”. In other words does each scale measure a single idea? According to Pallant (2007) Cronbach’s Alpha is an index that can be used to test the internal

reliability. Ideally the Cronbach's alpha coefficient of a scale should be above 0.7. This test will be conducted using SPSS.

3.9.2 Validity

Bryman and Bell (2007, p.733) defined validity as "a concern with the integrity of the conclusions that are generated from a piece of research". Validity ensures that an indicator that is devised to measure a concept is really measuring that concept. According to Pallant (2007) there are 3 main types of validity:

- Content validity – the measure reflects the content of the concept in question. The content validity of this study was checked by the research supervisor.
- Criterion validity – concerns the relationship between scale scores and some specified criterion that can be measured. This study was not checked for criterion validity.
- Construct validity – the extent to which a measure conforms to predicted correlations with other constructs. This study was checked for construct validity using correlation.

The analysis of data can be categorized as descriptive or inferential statistics.

3.9.3 Descriptive Statistics

According to Menter et al (2011) descriptive statistics aims to describe and provide summaries about the important characteristics of the set of data.

The following descriptive statistics were used for this study:

- **Percentages:** provide information on the ratio of respondents within each of the biographical variables, an example being the proportion of males compared to females participating in the study. Pie and bar charts are commonly used to display these intervals (Cooper and Schindler, 2006).

- **Frequencies** – shows the number of instances in which a variable takes each of its possible values (Oxford Dictionary 2002). According to Bryman and Hardy (2009) in any research study there is bound to be proportions of people holding certain views or engaging in certain types of behaviour. Thus frequency is a way of expressing variation. Frequency tables can be used to display the findings of the study.

3.9.4 Inferential Statistics

According to Medenhall, Beaver and Beaver (2009) inferential statistics consist of procedures whereby information contained in a sample is used to make inferences about the population from which the sample was drawn from. Inferential statistics makes it possible to draw conclusions, make predictions and decisions on the characteristics of the population based on the information contained in the sample population.

The following inferential statistics were used for this study:

Correlation – is a measure of how strongly one variable relates to another. Correlation coefficients also indicate the direction of the relationship. A perfect positive correlation would be represented by 1.0 or a perfect negative correlation would be -1.0. A zero will indicate that there is no correlation. Person's r will be the method used to assess the correlation between variables.(Bryman and Bell, 2007).

Cross tabulation - Once it was ascertained that a relationship existed, a cross tabulation was completed to further analyse the relationship. According to Kothari (2008) cross tabulation is a joint frequency distribution of cases based on two or more categorical variables. It is used to determine whether variables are statistically independent or if they are associated. It describes the degree which the values of one variable predict or vary with those of the other variable (Kothari 2008).

3.10 Summary

This chapter described the research methodology, the aim and objective of this study. Details of the sampling design, the research instrument employed in this study, its administration, data collection and the statistical techniques used to analyse the data have been also described. In the next chapter the results obtained from the completed questionnaires, in line with the chosen research methodology, will be presented and discussed.

CHAPTER FOUR

Presentation and Discussion of Results

4.1 Introduction

This chapter follows on from the research methodology described in chapter three. Data that was gathered from the sample is presented and analysed. The analysis focuses on detecting patterns in the responses. These emerging patterns or themes are discussed in the following paragraphs. The first section of the data analysis is of a descriptive nature while the second section focuses on inferential data analysis, related to the objectives of the study.

4.2 Treatment of data

The raw data from the online questionnaire was extracted from QuestionPro and was imported into SPSS version 19, so that further analysis could be undertaken. The data collected, was first screened for errors and only complete and accurate data was used for further analysis. The results of this analysis are presented by means of tables and graphs. Percentages have been rounded off, with no decimal points.

4.3 Reliability of questionnaire

The reliability of the questionnaire was evaluated by the Cronbach's Coefficient Alpha. The Cronbach's Coefficient Alpha for the rating scales used in the questionnaire was 0.721. The closer the alpha value is to 1, the greater the level of reliability (Gliem and Gliem, 2003). A coefficient of 0.721 indicates that the questionnaire was reliable and that the data could therefore be used confidently for further analysis and interpretation.

4.4. Data Analysis

4.4.1 Demographic profile of respondents

Demographics		Percentage
Gender	Male	84
	Female	16
Race	White	38
	Black	12
	Indian	46
	Coloured	4
	Other	0
Age	25-34	23
	35-44	40
	45-54	33
	55 and older	4
Years of service	<5 years	15
	5 to 9 years	23
	10 to 14 years	7
	15 to 19 years	13
	20 years and over	42
Employment level	Administrative	24
	Supervisory	22
	Management	40
	Senior Management	14

Table 4.1 Demographic profile of respondents

According to Table 4.1 the majority of respondents were male (84%), as compared to female (16%). It can also be noted from Table 4.1 that 46% of respondents were Indian, followed by Whites (38%), Blacks (12%) and Coloureds (4%). It is evident from Table 4.1 that the majority of respondents were aged between 35 and 44 years (40%). This was followed by those who were aged between 45 and 54 years (33%) whilst 23% of the respondents were aged between 25 and 34 years and 4 % were 55 and older. In terms of the number of years the respondents had been employed by their companies, 42% were employed for over 20 years, whilst 23% had been employed between 5 and 9 years, 15% less than 5 years, 13% between 15 and 19

years and 7% between 10 and 14 years. The majority of the respondents were employed for a relatively long time and would have experienced many upheavals in the automotive industry. Thus, they would be suitably qualified to comment on the management of staff during the economic crisis. As illustrated in Table 4.1, 40% of the respondents were management level, followed by administrative (24%), supervisory (22%) and senior management (14%).

4.4.2 The manner people were managed by the organization prior to the economic crisis

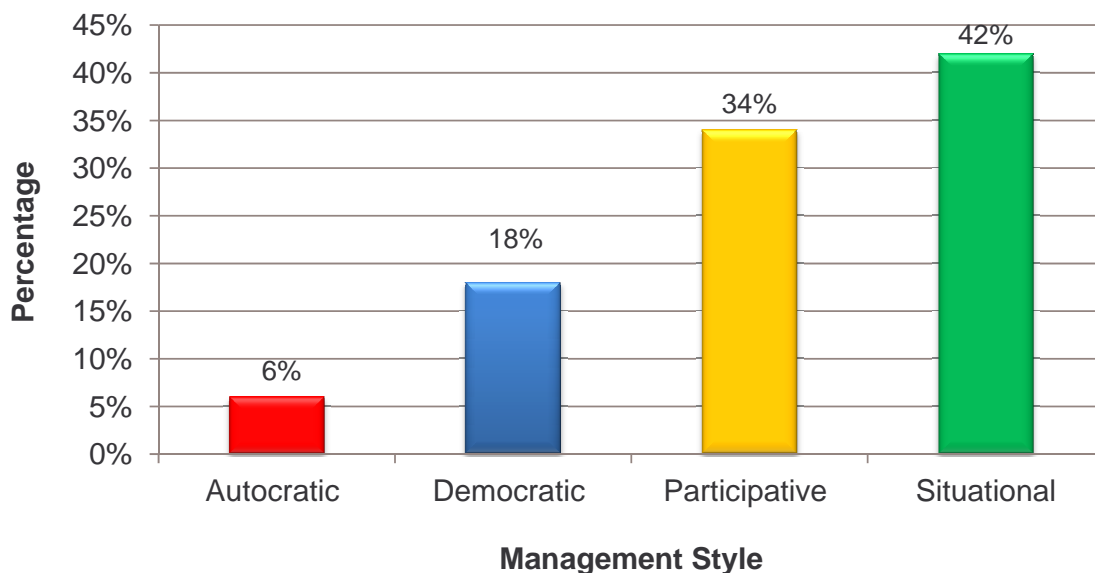


Figure 4.1: Management style prior to the economic crisis

It is evident from Figure 4.1 that the majority of respondents described their manager's management style as situational (42%). This was followed by a participative style (34%), democratic (18%) and autocratic (6%).

Yukl, who was cited by Randeree and Chaudry (n.d.), asserted that a crisis situation is one of the factors that determines a leadership style. Hersey, Blanchard and Johnson, according to Mujtaba and Sungkhawan (2007), argued if it was necessary, situational leaders were ideally suited to changing their leadership styles. According to Snowden and Boone (2007) previously successful leadership approaches can fail

in new situations. Different contexts call for different kinds of responses. Situational leaders have the ability to recognize the context governing a situation and can tailor their actions accordingly (Snowden and Boone 2007).

4.4.3 The changes made in managing people during the economic crisis

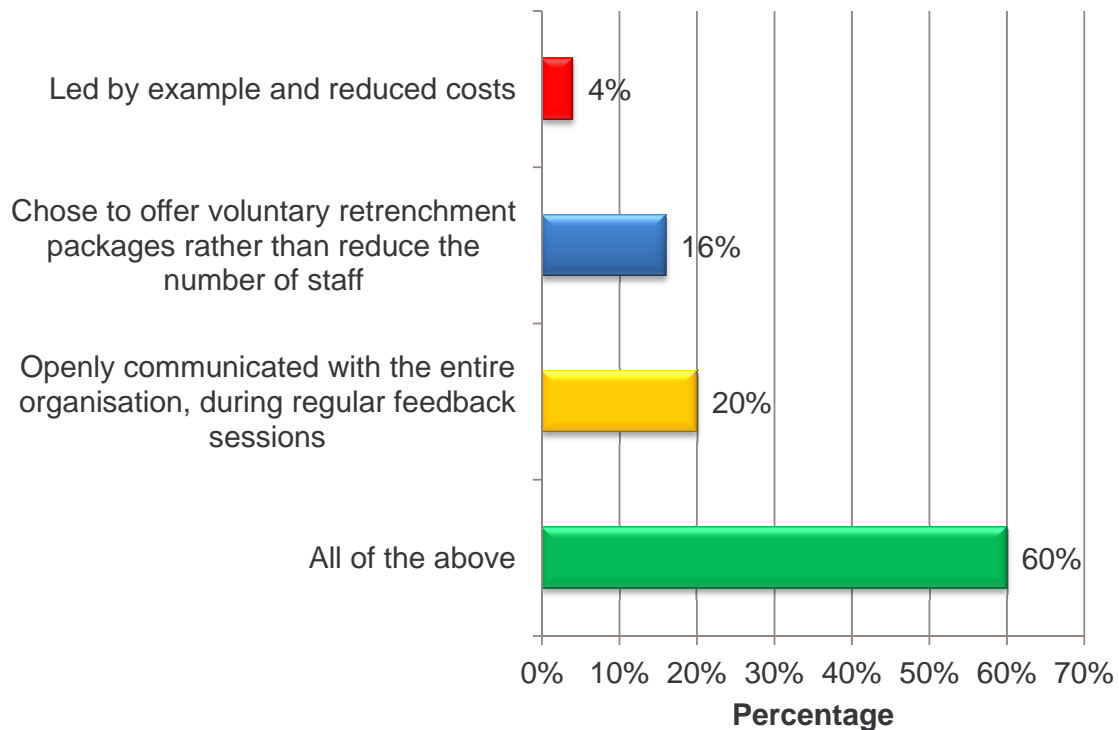


Figure 4.2: Actions taken by management in response to the crisis

In terms of the changes management made during the crisis, 20% of the respondents noted that management openly communicated with staff, with regular feedback sessions. It was noted by 16% of the respondents that the only change made by management was to offer voluntary retrenchment packages whilst 4% believed that management led by example and reduced costs. No one (0%) specifically believed that the only change made by management was to offer advice on personal finance management. However, the majority of respondents (60%)

believed that management changed by doing all of the above during the crisis (Figure 4.2).

Ng (2011) argued that a manager can be defined by how he/she manages during a crisis. Respondents in this study acknowledged that management led by example during the economic crisis. According to Coles (2009) during a crisis, leaders set the tone by their example and conduct. The Human Resource Management International Digest (2011), argued that leaders who led by example can “rally the troops” or “man the barricades” with their colleagues, which is especially vital during a crisis. Leaders can also have a significant positive impact in an emotionally charged climate. Balogun (n.d.) argued that the best leaders exemplify behaviours that their teams respond to. According to Mujtaba and Sungkhawan (2009) managers can also enhance productivity by being role models. Mayor Guliani is an example of a leader who led by example during the 911 attacks on the World Trade Centre in New York.

Management in the companies used for the research instrument recognized the importance of communication during the crisis and regularly communicated with staff. Goodman and Hirsch (2010) were of the opinion, according to Mazzei and Ravazzani (2011) that organizations can sometimes exacerbate the impact of a crisis through poor communication. According to Fourie (2007) societies are orientated towards information and communication. All crises feed on lack of information; it is up to management to dampen down the fire with a sustained communication campaign using all communication channels. Mazzei and Ravazzani (2011) argued that perceptions are one of the critical aspects that needs to be considered when studying crises. According to Business as Usual (2010), if motivation and output is to remain at desired levels it is vital to keep the workforce fully informed, especially during a crisis, when the uncertainty can significantly impact employee morale. Furthermore, according to Mazzei and Ravazzani (2011) leaders who collaborated more closely with all stakeholders were more likely to gain support and commitment towards key objectives and values. Van der Walt and Campbell (2003) believed constructive involvement of workers is only possible if they are familiar with the employer's plans and decisions. During a crisis, good communication which is timeous, truthful, complete and coherent results in increased awareness and reassures staff. It can also result in attitudes of realism and trust amongst employees (Mazzei and Ravazzani 2011).

4.4.4 The response of employees to changes made in managing people during the economic crisis

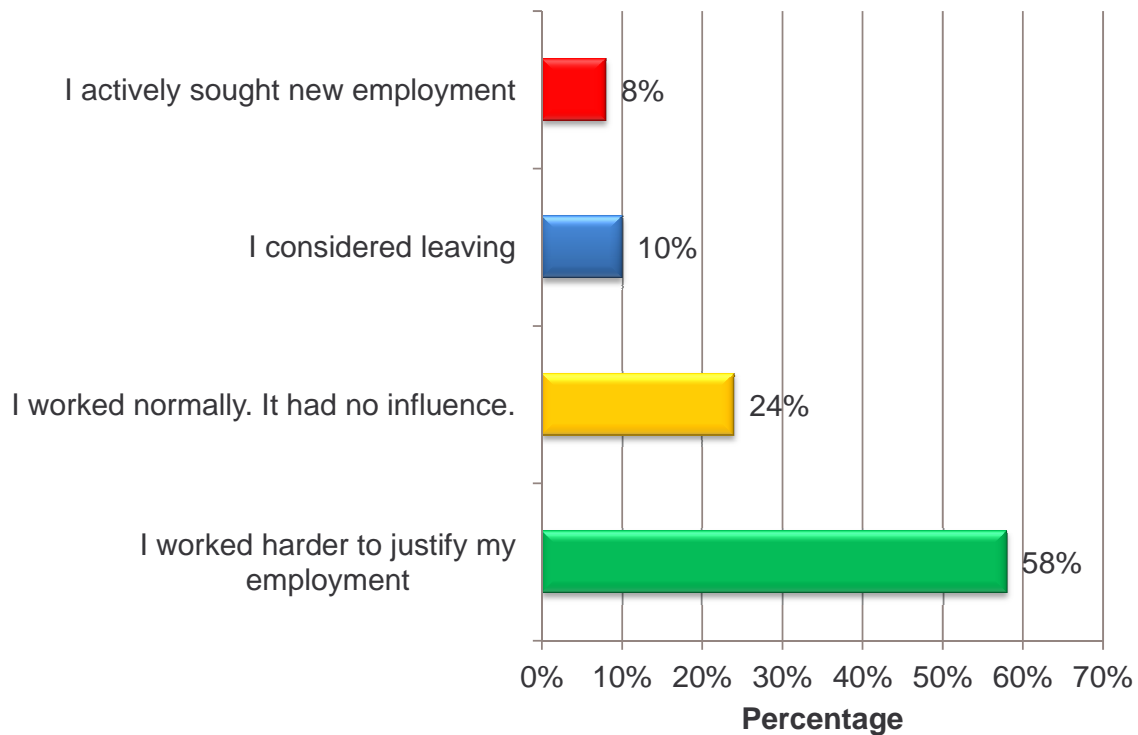


Figure 4.3: The manner in which the response of management influenced the behaviour of staff

Figure 4.3 illustrates that as a result of management's response to the crisis, 58% of respondents worked harder to justify their employment. This is followed by those who worked normally (24%), those who considered leaving (10%) and those who actively sought new employment (8%). No one responded by working slower.

The decision by the majority of employees to work harder can be attributed to general response of management to the crisis and not just the manner in which management handled their job security. This study revealed that there was no correlation between the manner in which management handled specifically workers'

job security and the behaviour of employees. Ng (2011) argued that morale and productivity of employees, who realized that management cares, increased dramatically. However, Recardo (2011) warned that a growing number of employees focus their energies on engineering how they are perceived by senior management. Some respondents did not see the need to change their behaviour and carried on working normally. Others were probably concerned about their job security and thought of leaving the organization.

4.4.5 The likelihood of employees leaving the organization as a result of management style

Employees were asked if they saw a long term future in the organization. Results of the responses are shown in Table 4.4

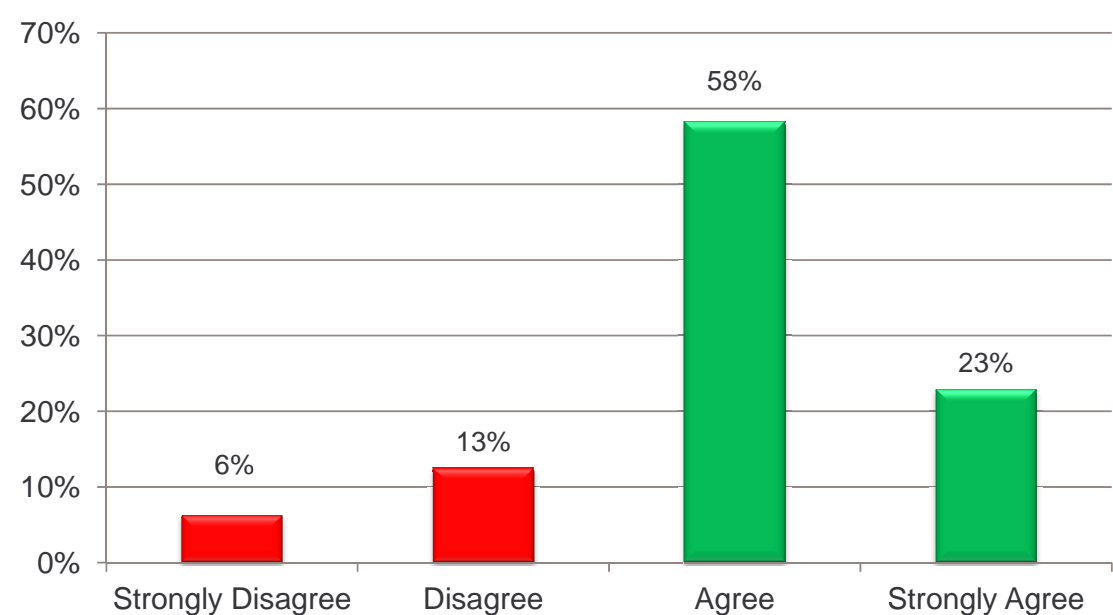


Figure 4.4: Long term future in the organization

Figure 4.4 indicates that 58% of the respondents agreed that they saw a long term future in their respective organizations, followed by 23% who strongly agreed, 13% disagreed and 6% strongly disagreed.

Jordan and Troth (2011) argued that turnover intentions are seen as an indicator of an employee’s affective commitment to an organization. According to Randeree and

Chaudry (n.d.), if external opportunities are unavailable, workers may remain with their present employer but emotionally or mentally withdraw from the organization. Managerial behaviour was highly significant to employees being satisfied with and committed to their employer (Randeree and Chaudry n.d.).

4.4.6 The expectations of employees change during an economic crisis

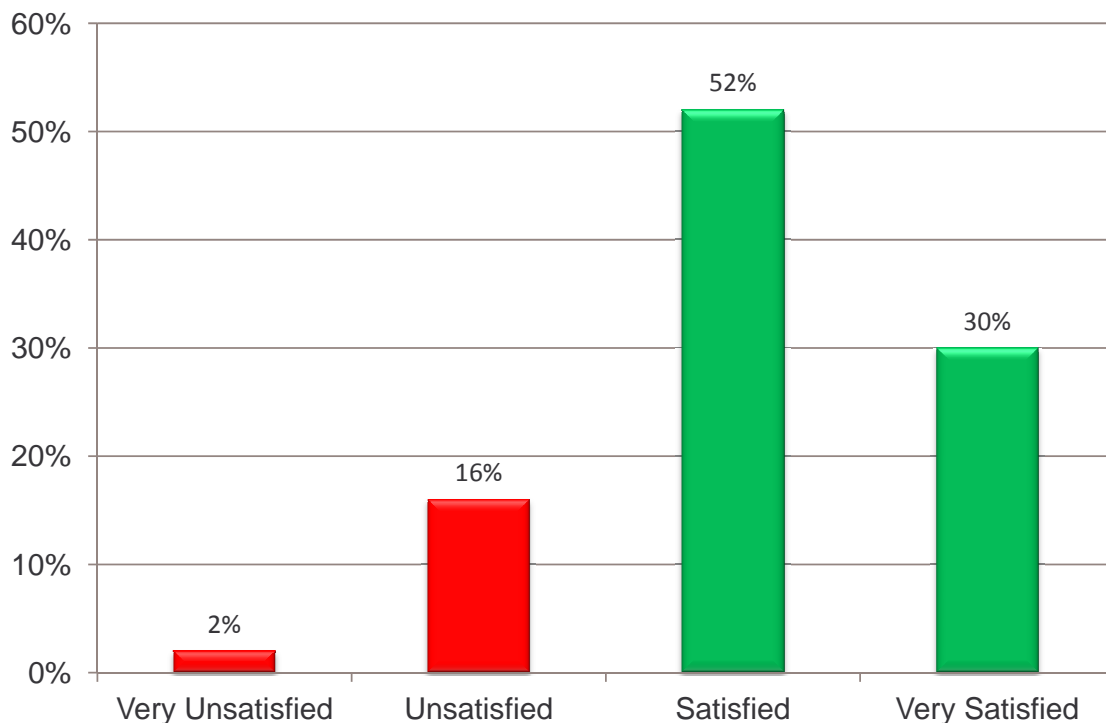


Figure 4.5: Staff satisfaction with management's response to the crisis

It is evident from Figure 4.5 that 52% of respondents were satisfied with their management's response to the economic crisis. This was followed by 30%, who were very satisfied, 16% were unsatisfied and 2% very unsatisfied.

The steps that management had undertaken to deal with the morale and anxiety of staff during the crisis, was affirmed by this study, with 82% of the respondents either satisfied or very satisfied. Randeree and Chaudry (n.d.) argued that employees' job satisfaction is strongly affected by leadership.

4.5 Inferential Statistics

Inferential statistics makes it possible to draw conclusions, make predictions and decisions on the characteristics of the population based on the information contained in the sample. Various correlations and cross tabulations were undertaken to understand if any significant conclusions can be made.

4.5.1 The expectations of employees during an economic crisis

In order to determine if a relationship existed between the organizational level of the employee and his/her satisfaction with management's response to the economic crisis, a Pearson correlation coefficient was calculated (Table 4.2).

While the coefficient of co-variance has no upper and lower limits, the coefficient of correlation can vary from positive one (+1) (indicating a perfect positive relationship), through zero (0) (indicating the absence of a relationship), to negative one (-1), thereby indicating a perfect negative relationship. Absolute correlation coefficients between 0.00 and 0.30 are considered low; those between 0.30 and 0.70 are moderate; and coefficients between 0.70 and 1.00 are considered high (Bryman and Bell 2007).

		How satisfied were you with your managements response to the economic crisis
At what level of the organization are you employed	Pearson Correlation	.296*
	Sig. (2-tailed)	.037
	N	50

Table 4.2: Correlation of organizational level and employee satisfaction

There was a significant but low positive correlation between organizational level of the employee and his/her satisfaction of management's response to the economic crisis ($r = 0.296$). The response of management was well received and with affirmation from 41 of the 50 respondents, who were either satisfied or very satisfied. One senior manager was very unsatisfied, whilst one manager was very unsatisfied and two were unsatisfied.

		How satisfied were you with your managements response to the economic crisis				Total
		Very Unsatisfied	Unsatisfied	Satisfied	Very Satisfied	
At what level of the organization are you employed	Administrative	0	2	9	1	12
	Supervisory	0	2	8	1	11
	Management	1	3	9	7	20
	Senior	0	1	0	6	7
	Management					
Total		1	8	26	15	50

Table 4.3: Cross tabulation of organizational level and employee satisfaction

This relationship is understandable since 54% of the respondents were either managers or senior managers, who were actually responsible for leading staff

through the crisis (Tables 4.1 and 4.3). During a crisis, it is management's responsibility to strategize, communicate, to align all stakeholders with its vision and to create an environment which fosters organizational commitment and creativity. According to Griffin and Moorhead (2011) organizations need both management and leadership to succeed. Leadership is required to create and direct change and to help the organization get through tough times. Kreitner and Kinicki (2008) argued that successful leaders are those individuals who can step into a difficult situation and make a noticeable difference.

A correlation analysis was conducted to ascertain the relationship between the manner in which management handled the job security of staff during the crisis and staff satisfaction (Table 4.4)

		How satisfied were you with your managements response to the economic crisis
Which one of the following statements best describes the manner in which your manager handled your job security during the economic crisis	Pearson Correlation Sig. (2-tailed) N	.484** .000 50

Table 4.4: Correlation of the manner in which job security was managed and employee satisfaction

It is evident from Table 4.4 that there is a significant but moderate positive relationship between the manner in which management handled the job security of staff during the crisis and staff satisfaction ($r = 0.484$). Staff clearly valued their job security during this crisis.

		How satisfied were you with your managements response to the economic crisis				Total
		Very Unsatisfied	Unsatisfied	Satisfied	Very Satisfied	
Which one of the following statements best describes the manner in which your manager handled your job security during the economic crisis	Was uncaring	0	0	1	0	1
	Did nothing differently	0	8	12	0	20
	Showed some degree of concern	0	0	7	6	13
	Professional, sensitive and supportive	1	0	6	9	16
Total		1	8	26	15	50

Table 4.5 Cross tabulation of the manner in which job security was managed and employee satisfaction

There were 26 respondents who were satisfied with their manager's handling of their job security, while 15 were very satisfied, 8 were unsatisfied and 1 was very unsatisfied (Table 4.5). Although 20 respondents felt that management did nothing differently to handle their job security, 12 of them were actually satisfied with managements overall response to the crisis. The majority of respondents (29) felt that management showed some degree of empathy and professionalism in handling their job security and were either satisfied or very satisfied. It can thus be concluded that whilst job security of employees is an important factor for management to address during a crisis, employees have also valued other factors as shown in Figure 4.2. These include communication, leading by example and offering personal financial advice. Heifetz, Grashow and Linsky (2009) argued that empathy is essential for management to succeed during a crisis. By addressing factors that were deemed important by employees, management has ensured that they have a motivated workforce. According to Bates (2009) motivated people will overcome the obstacles, defy the odds and accomplish more.

In order to determine if a relationship existed between staff's satisfaction with management's response to the economic crisis and staff's long term commitment to the organization, a correlation analysis was conducted (Table 4.6).

		How satisfied were you with your managements response to the economic crisis
I see a long term future in my current organisation	Pearson Correlation	.392**
	Sig. (2-tailed)	.005
	N	50

Table 4.6 Correlation of employee satisfaction with management's response to the crisis and commitment to the organization

According to Table 4.6 there is a significant but moderate positive relationship between staff's satisfaction with management's response to the economic crisis and staff's long term commitment to the organization ($r = 0.392$).

		How satisfied were you with your managements response to the economic crisis				Total
		Very Unsatisfied	Unsatisfied	Satisfied	Very Satisfied	
I see a long term future in my current organisation	0	0	0	2	0	2
	Strongly Disagree	0	1	2	0	3
	Disagree	1	2	2	1	6
	Agree	0	5	17	6	28
	Strongly Agree	0	0	3	8	11
Total		1	8	26	15	50

Table 4.7: Cross tabulation of employee satisfaction with management's response to the crisis and commitment to the organization

According to Table 4.7, of the 28 respondents who agreed that they saw a long term future in the organization, 17 were satisfied with their management's response to the crisis and 6 were very satisfied. Of the 11 respondents who strongly agreed that they saw a long term future in the organization, 3 were satisfied with their management's response to the crisis and 8 were very satisfied. This is an indication of the value placed by the employees on management's response to the crisis. It can thus be concluded that employees who were satisfied with management's response to the crisis, did not see a need to seek alternate employment. According to Randeree and Chaudry (n.d.) satisfied and motivated employees displayed a higher sense of commitment to the organization. Bates (2009) argued that employees become demotivated when the leader and the organization have not made a strong connection with the individual and have not allowed him or her to see the excitement of being part of the organization.

A correlation was conducted to determine if a relationship existed between staff's satisfaction with management's response to the economic crisis and staff's subsequent behaviour (Table 4.8)

		How did the manner in which the management of your organisation respond during the economic crisis influence your behaviour
How satisfied were you with your managements response to the economic crisis	Pearson Correlation	.372**
	Sig. (2-tailed)	.008
	N	50

Table 4.8: Correlation of employee satisfaction with management's response to the crisis and employee behaviour

According to Table 4.8 there was a significant but moderate positive relationship between staff's satisfaction with management's response to the economic crisis and staff's long term commitment to the organization ($r = 0.372$).

		How did the manner in which the management of your organisation respond during the economic crisis influence your behaviour				Total
		I considered leaving	I actively sought new employment	I worked harder to justify my employment	I worked normally It had no influence	
How satisfied were you with your managements response to the economic crisis	Very Unsatisfied	1	0	0	0	1
	Unsatisfied	1	3	1	3	8
	Satisfied	3	1	16	6	26
	Very Satisfied	0	0	12	3	15
Total		5	4	29	12	50

Table 4.9: Cross tabulation of employee satisfaction with management's response to the crisis and employee behaviour

It is evident from Table 4.9 that 41 employees were either satisfied or very satisfied with management's response to the economic crisis. As a result 28 respondents decided to work harder and 9 worked normally. There were 9 respondents who were either very unsatisfied or unsatisfied with management's response to the crisis and as a result 4 of them decided to seek alternate employment. One respondent decided to work harder and three worked normally.

Although Ng (2011) argued that that leadership can result in cohesive and goal orientated teams, it can be concluded that not all employees are willing to work harder despite being satisfied with management. Management's response to the crisis was not significant enough to motivate all employees to work harder.

4.6 Other correlations

In order to satisfy the requirements of other objectives, the responses to each question was analysed and where necessary, correlations with independent variables were studied. The following correlation analyses had no significant relationships:

- Demographics and long term commitment to the organization
- Demographics and long term commitment to the automotive industry
- Demographics and employee satisfaction with management's response to the economic crisis
- Management style and employee behaviour
- Management style and changes made by the management team
- Management's handling of job security and employee behaviour

Although Elenkov and Petkova-Gourblova (2010) argued that leadership style is affected by the cultural background of management, this study revealed that there was no correlation. Elenkov and Petkova-Gourblova (2010) also argued that leadership is concerned with emotions, values, ethics, standards, long term goals, assessing workers' motives, satisfying their needs and treating them as human beings. However, it is evident from this study that there is no significant relationship between management styles, handling issues like job security and employee behaviour, in relation to an economic crisis. Ng (2011) asserted that it is important for employees to know that management cares. It is evident that employees valued the actions of management more than their manager's style of management during the crisis. This study also revealed that the actions taken by management were not dependent on their management style. Leadership that are aware of the new norm, characterized by economic uncertainty, are more inclined to make the correct decisions in terms of the organization's and its employees' welling being (Carbonara and Caiazza 2009).

4.7 General Discussion

Although these leadership theories were not originally included in the study, there are other contemporary leadership theories available for management to consider during a crisis (Avolio, Walumbwa and Weber 2009). Examples of these are spiritual leadership and servant leadership theories.

Kakabadse, Kouzmin and Kakabadse, were of the opinion, according to Jamaludin and Idris (2011) that spirituality is a long-neglected phenomenon in studies on leadership. Spiritual leadership, according to Fry (2003), complements existing leadership theories by including missing components such as a sense of calling on the part of leaders and followers and the creation of an organizational culture which is characterized by genuine care, concern, and appreciation of both self and others. Fry (2003) argued that spiritual leadership results in a fusion of body, mind, heart and spirit, which in turn leads to higher motivation and productivity, increased organizational commitment and personal peace, joy and serenity.

Coles (2009) argued that leaders cannot rely only on authoritarian or fear tactics to get results during a crisis. In servant leadership, leaders take care of the needs of their followers first before they take care of their own. Servant leaders lead through service and is based on empathy, healing, listening and building community (Transforming Leadership for ... 2011). Servant leadership is particularly relevant in today aggressive business environment where there is focus on profit rather than people. This approach has led to system failures such as the recent global financial crisis (Transforming Leadership for ... 2011). Spears, cited in Avolio, Walumbwa and Weber (2009), asserted that the following characteristics represent a servant leader: listening, empathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, commitment and community building. Avolio, Walumbwa and Weber (2009) also attributed the following characteristics to a servant leader: honest, trustworthy, service orientated, a role model, demonstrating appreciation of others' service, good communicators, competent and encouraging of others. It is not surprising, according to Avolio, Walumbwa and Weber (2009) that servant leadership has been positively related to job satisfaction, higher morals and productivity. A famous example of a servant leader is Mahatma Gandhi.

4.8 Summary

Data that was collected from respondents was analysed. Some of the salient findings include the fact that management made several changes during the economic crisis and these were well received by staff. As a result, staff were willing to work harder and envisaged a long term future in the organization. Actions taken by management during the crisis proved to be more significant than their management style. Although management addressed job security during the crisis, this did not result in any significant behavioural changes from staff. The employees, however, were satisfied with management's handling of their job security. These findings were related to the objectives of the study that were outlined in chapter one.

Based on the above findings, some conclusions have been drawn from which recommendations are suggested. The limitations of the study have been identified and recommendations for further research are described in the next chapter.

CHAPTER 5

Conclusions, Limitations and Recommendations

5.1 Introduction

The literature reviewed in chapter two suggested that there is a dearth of academic literature concerning the management of employees during an economic crisis. The objectives identified for this study sought to contribute information relating to how leaders in the automotive industry should manage employees during an economic crisis and to identify possible gaps that exist. This chapter will conclude and summarise the significant lessons learnt from the study, highlight some of the limitations and put forward recommendations for future research.

5.2 Conclusions

Several conclusions have been drawn from this study. It must however be noted that the conclusions represent the opinions and characteristics of the respondents and cannot be generalized to the entire automotive industry.

Some of the salient findings include:

- Both managers and leaders are required to lead an organization and its employees through an economic or any other crisis.
- A situational leadership style was the preferred choice of managers who participated in this study. This would have made it easier for these managers to adapt their management style should it have been necessary
- The expectations of workers of management changed during the crisis. Employees expected their anxiety to be addressed.
- The ability of management to respond to the anxiety of their staff during the crisis was independent of their management style.

- The actions taken by management during the economic crisis was well received by staff. These changes included communicating openly and honestly, offering advice on the management of personal finances and also led by example.
- The management team also displayed an ability to think laterally by offering voluntary retrenchment packages rather create more anxiety by than conducting forced layoffs.
- The staff realized that their management cared and as a result, the majority of staff was willing to work harder and envisaged a long term future in the organization and industry.
- Actions taken by management during the crisis proved to be more significant than their management style. It is therefore suggested that it is unnecessary for managers to change their management style in response to a crisis.
- Although management addressed job security during the crisis, this did not result in any significant behavioural changes from staff. The employees, however, were satisfied with management's handling of their job security.

5.3 Recommendations arising from this Study

The research objectives of this study were satisfied as certain trends were observed with respect to managing employees during an economic crisis. Although employees were satisfied with their management's response to the crisis, the findings provided some empirical evidence to show that certain gaps existed. It is therefore recommended that:

- Management should give due consideration to the actions taken to lead their staff in response to an economic crisis. It is apparent from this study that the actions undertaken were of more importance than their management style.
- Management should be empathetic and focus on employees' well-being during an economic downturn. Offering advice on the management of their personal finances was well received.
- Since information is critical (Fourie 2007), communication to employees and all the other stakeholders of the organization is vital. Communication can be used to allay the fear of workers and to maintain high levels of motivation, commitment and productivity.
- Managers should lead by example. "Leadership is required to create and direct change and to help the organization get through tough times" (Griffin and Moorhead, 2011, p.328)
- Management apply their minds and think laterally to lead their employees. For example, the organization can cross train employees during quiet periods of non-production. This will help maintain high motivation levels of workers and also improve the overall skill levels of the staff. This can help organizations take advantage of new opportunities – organizations with highly motivated and skilled staff can introduce new products into the market quicker than organizations with demotivated and inadequately trained staff. It is also useful for organizations to have a multi skilled work force to cope with absenteeism.

Multi-skilled workers can be moved around confidently to areas of high priority.

- Employees buy into their leaders' vision and work towards common objectives.
- If management notice that workers are satisfied and committed to the cause, they can focus on the task on hand, which is to strategize and lead the organization into calmer waters. Management should constantly survey the business environment and having to deal with disgruntled workers could prove to be a costly distraction.

5.4 Limitations of this Study

It is important for the researcher to identify the limitations of the study which can highlight opportunities for further research. The following limitations were identified:

- Due to the sampling design and relatively small sample size, the findings of the study could not be generalized to the entire population of the automotive industry. Although the sampling method was appropriate for the purposes of this study, non-probability convenience sampling is the least reliable in terms of generalisability.
- Whilst the web based questionnaire was the most convenient way to administer the questionnaire and allowed respondents to be more reflective when completing it, it resulted in a significant section of the population being omitted from the study.
- The study was limited to employees with access to the Internet, with the 54% of the respondents being managers or senior managers.

- The time frame allocated to complete this study was relatively short (4 months). Subsequently, the sample had to be conveniently selected.
- The demographic details of the automotive industry in South Africa were not obtained and therefore comparisons could not be made.
- Only first tier component manufacturers were targeted for research. Second and third tier suppliers and motor vehicle manufacturers were omitted from this study.
- The study was conducted in one region only (Durban).
- The questionnaire was designed to include only closed ended questions, thereby limiting suggestions that employees could have made, to improve the management of staff during an economic crisis.
- The researcher had limited the number of management styles employees could choose from to only four. Respondents may have opted for other styles of management if these were offered as a choice.
- The study focused only on the automotive industry and the economic crisis.

5.5 Recommendations for further research

The recommendations for further research are based on the findings and limitations identified in this study. Recommendations for further research in this field include:

- Future studies should use probability sampling techniques so that the findings of those studies are more reliable and may be inferred to the entire population of the automotive industry, with confidence.
- Managers are mainly tasked with leading the organization during an economic crisis. Further research which focuses on employees only and excludes managers may result in new ideas on how workers should be managed during an economic crisis. Feedback from this type of study may eliminate any bias from management.
- Future research utilizing the conventional questionnaire administration method will ensure a more balanced sample. This could also result in a higher number of questionnaires being completed and greater confidence in the results.
- More time should be allocated for future studies. This can result in a larger and more balanced sample being selected.
- Future studies should include the demographic details of the automotive industry in South Africa. Comparisons can be made and if it is necessary, management styles and actions can be adapted to suit specific demographic groups.
- Although this study revealed that the majority of employees were satisfied with management's response to the crisis, not all employees were willing to work harder. It may be useful for future researchers to explore the reasons for this.

- Future studies should include other suppliers (second and third tier suppliers) and motor vehicle manufacturers. These sectors of the industry may offer a unique insight into the manner in which workers were managed during the economic crisis. The risk dynamics of these companies are unique and it would be of interest to study the expectations of employees and how they reacted to management's response during the economic crisis.
- Toyota is the only motor vehicle manufacturer situated in Durban. Other South African motor vehicle manufacturers and suppliers are located in Pretoria, East London and Port Elizabeth. A study which incorporates the companies nationally may influence the results of the study.
- Future studies may be enriched with questionnaires that include open ended questions. Suggestions from these studies may improve the management of staff during an economic crisis.
- Future researchers may opt to offer more choices of management styles which may influence the results of the study.
- While this study focused only on the automotive industry and the economic crisis, it would be worthwhile to study other industries and other types of crises.

5.6 Conclusion

Despite the limitations identified in this study, several relevant issues have been raised. Based on these findings recommendations to leaders and employees in the South African automotive industry, have been made. This study also provides a useful starting point for further research to be undertaken, so that ultimately the best practice for leading employees in any industry through any crisis is achieved to the benefit of all stakeholders.

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Appendix I

Questionnaire

Researcher: Devan Govender (083 640 5354)

Supervisor: Prof. A. M. Singh (031-2607564)

Research Office: Ms P Ximba (031-2603587)

Dear Respondent, I, Devan Govender, am a MBA student, at the Graduate School of Business, of the University of Kwazulu-Natal. You are invited to participate in a research project entitled: LEADING PEOPLE IN AN ECONOMIC CRISIS.

The aim of this study is to:

1. Establish the manner in which people were managed by the organization.
2. Establish the changes made in managing people during the economic crisis.
3. Determine the response of employees to these changes.

Through your participation I hope to understand the importance of management styles during an economic crisis. Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey/focus group. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above. The survey should take you about 10 minutes to complete. I hope you will take the time to complete this survey.

If you agree to the above and want to proceed to the questionnaire, please select the I AGREE checkbox and then click on CONTINUE, alternatively to opt

out of the questionnaire, please select the EXIT SURVEY link on the top right corner of the screen.

Sincerely

Devan Govender

Date: 20/06/2011

Q1 - Gender

1. Male
2. Female

Q2 - Race

1. White
2. Black
3. Indian
4. Coloured
5. Other

Q3 - Age

1. 25-34
2. 35-44
3. 45-54
4. 55 and older

Q4 - How long have you been employed in your current organisation?

1. < 5 years
2. 5 to 9 years
3. 10 to 14 years
4. 15 to 19 years
5. 20 years and over

Q5 - At what level of the organization are you employed?

1. Administrative
2. Supervisory
3. Management
4. Senior Management

Q6 - Which of following best describes your managers style of managing your Department?

1. Autocratic (Dictator, single minded, authoritarian)
2. Democratic (Gives employees an equal say)
3. Participative (Has a hands on approach)
4. Situational(Adopts a management style that is most relevant to the situation)

Q7 - What did your organisations management team do differently, as a result of the current economic crisis?

1. Led by example and reduced costs
2. Openly communicated with the entire organisation, during regular feedback sessions
3. Chose to offer voluntary retrenchment packages rather than reduce the number of staff
4. Emphasized good news
5. Offered advice on personal financial management to staff
6. All of the above
7. Nothing

Q8 - Which one of the following statements best describes the manner in which your manager handled your job security during the economic crisis?He /She was

1. Unprofessional and insensitive
2. Was uncaring
3. Did nothing differently
4. Showed some degree of concern
5. Professional,sensitive and supportive

Q9 - I see a long term future in my current organisation

1. Strongly Disagree
2. Disagree
3. Agree
4. Strongly Agree

Q10 - Due to the impact of the economic crisis on the motor industry, I will gladly accept an opportunity to change industry.

1. Strongly Disagree
2. Disagree
3. Agree
4. Strongly Agree

Q11 - How satisfied were you with your managements response to the economic crisis?

1. Very Unsatisfied
2. Unsatisfied
3. Satisfied
4. Very Satisfied

Q12 - How did the manner in which the management of your organisation respond during the economic crisis influence your behaviour?

1. I considered leaving
2. I actively sought new employment
3. I deliberately worked slower
4. I worked harder to justify my employment
5. I worked normally. It had no influence.

Q13 - Why did you act in the manner indicated in previous question?

1. I was not willing to jeopardize my personal goals
2. Management showed no sympathy to its staff
3. I felt extremely motivated and wanted to show my loyalty to the organisation
4. I was not sure what the big fuss was about and did not think there was a need for any change
5. It's the executives responsibility to ensure the organisations future, not mine

Q14 - In your opinion, how did the rest of the staff react?

1. Deliberately worked slower
2. Worked harder to justify their employment
3. Worked normally. It had no influence.

Q15 - Which of the following alternatives could management have chosen?

1. Showed more empathy
2. Encouraged more suggestions from all levels of staff
3. Centralised various functional departments
4. Reduced everyone's salaries and avoided any retrenchments

Appendix II

Ethical Clearance



26 July 2011

Mr D Govender
Graduate School of Business
WESTVILLE CAMPUS

Dear Mr Govender


PROTOCOL: Leading Employees in the Automotive Industry during an Economic Crisis
ETHICAL APPROVAL NUMBER: HSS/1169/2010 MBA: Faculty of Management Studies

In response to your application dated 06 October 2010, Student Number: **208519162** the Humanities & Social Sciences Ethics Committee has considered the abovementioned application and the protocol has been given **FULL APPROVAL**.

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully


.....
Professor Steve Collings (Chair)
HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE

SC/sn

cc: Prof. A M Singh (Supervisor)
cc: Mrs. C Haddon

Appendix III

Letter of Endorsement



Registration No: 1980/007370/07
ISO TS 16949:2002
File No. A7582
ISO 14001:2004
File No. A8874
OHSAS 18001:1999
File No. A16348



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Facsimile: (031) 719-4222 - IBMS / Exports
(031) 719-4444 - Finance
(031) 719-4241 - Managing Director
(031) 719-4033 - Commercial
(031) 719-4033 - Manufacturing

11th March 2010

Mr D Govender
c/o Smiths Manufacturing

Dear Devan

**PERMISSION TO CONDUCT RESEARCH AS PART OF REQUIREMENTS OF THE
MBA DEGREE, UNIVERSITY OF KWAZULU-NATAL**

We refer to the above request from you dated 11th March 2010 and hereby grant you permission in terms of the agreed terms and conditions of confidentiality as specified in your letter and agreed to between yourself and this company.

We further wish to confirm that the results of this survey be kept strictly confidential for a period of five years from date of submission.

Please furnish us with copies of your submissions for record keeping purposes.

Regards

**K LELLO
MANAGING DIRECTOR**

Copy : Paul Vermaak

Directors: T. Looock (Chairman), K. Lello (Managing Director), T. Lane (Company Secretary), J. Esterhuizen,
B. Jacobs, A. Shikamura*** T. Kato *** F. Ito *** Japanese ***

Directors: T. Looock (Chairman), K. Lello (Managing Director), T. Lane (Company Secretary), J. Esterhuizen,
B. Jacobs, A. Shikamura*** T. Kato *** F. Ito *** Japanese ***